2017
ANNUAL REPORT

HEALTHWAY MEDICAL

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CORPORATE PROFILE

Healthway Medical Corporation Limited ("Healthway Medical Corporation" together with its subsidiaries, the "Group") is a leading private healthcare provider with one of the largest network of clinics and medical centres in Singapore.

The Group began operations in 1990 with one mission – to provide accessible, affordable and quality medical services to our patients. To this day, we remain committed to our mission.

Today, we own, operate and manage ninety-one (91) clinics and medical centres. These facilities are located across most parts of Singapore, as well as within major private hospitals.

From our beginnings in Primary Healthcare, we now offer an extended range of comprehensive specialist disciplines such as orthopaedics, cardiology, general surgery, ophthalmology (eye), otorhinolaryngology (ear, nose & throat), psychological wellness and psychiatry, specialist dentistry, aesthetics, paediatrics and child development, obstetrics and gynaecology.

PRIMARY HEALTHCARE DIVISION

Our Primary Healthcare Division is one of the largest private clinic networks in Singapore, comprising Family Medicine and Dentistry offerings. We have over sixty (60) General Practitioner (GP) and dental clinics island-wide, providing outpatient medical services to our private patients as well as our corporate clientele.

Our dedicated doctors, nurses and patient service associates are committed to providing quality treatment and management for our primary healthcare patients. With deep experience and a focus on improving our patients' well-being, our doctors look into the psychological health, social support, home environment and life-style of their patients, in addition to primary healthcare symptoms and issues.

With our network of strategically-located clinics, we are a convenient and accessible point of care for our patients. We participate in the Community Health Assist Scheme (CHAS) and the Pioneer Generation Package, so that we can provide subsidised healthcare to Singaporeans who benefit from these government initiatives.

Family Medicine

Our clinics are conveniently located within communities and in major housing estates, under the brand names of Healthway Medical, Silver Cross, My Family Doctor and Peace.

We provide a wide range of healthcare services that are aimed at providing comprehensive care and treatment for individuals, families and the communities that we serve. These services include acute care, chronic care management, vaccinations, health screenings, vocational medical examinations, travel health services and radiology services.

Dentistry

Through our dentistry group comprising Healthway Dental, Aaron Dental, Universal Dental and Popular Dental clinics, we provide a wide range of general and specialist dental services throughout Singapore. Each dental clinic is well-equipped to provide the full spectrum of services including restorative dentistry and cosmetic dentistry at affordable and competitive prices.

Through NeuGlow Dental at The Centrepoint, we offer specialist dental services such as orthodontics and periodontics. We also offer aesthetic dental services including crowns and bridges, veneers, implants and teeth whitening.

Japanese Medical & Dental Centre

We have a dedicated team of Japanese doctors, dentist and staff, focused on delivering high quality medical and dental services to our Japanese patients in Singapore and the surrounding region.

Our resident General Physician, Dr Sato, is a renowned delegate of the Japan Primary Care Association and our Centre Medical Director is Dr Yoshikuni. The Centre is conveniently located in The Centrepoint, next to our Health Screening Centre.

CORPORATE HEALTHCARE MANAGEMENT

Our Corporate Sales & Servicing team can efficiently assist our clients to better manage their healthcare benefits and provides wellness programme by customizing to their needs and requirements. We also offer corporate health talks, on-site health screenings and vaccination programmes at the convenience and ease of our clients.

SPECIALISTS DIVISION

With our centralised platform, we leverage on clinical resources from each of our medical specialty groups to provide our patients a convenient one-stop solution for their specialist healthcare needs. The Group has thirty-four (34) specialists in over nine (9) disciplines.

Paediatrics

We are one of the largest private healthcare provider in paediatric medical services in Singapore through our paediatric chains SBCC Baby & Child Clinic (formerly known as Singapore Baby & Child Clinic) and Thomson Paediatric Centre.

These clinics are located in many private hospitals and major residential estates and allow us to provide dedicated care to our young patients with convenience and ease for their parents and caregivers.

Our experienced paediatricians sub-specialise in many areas such as neonatology, cardiology, neurology, asthma, allergy, gastroenterology, growth, immunology and rheumatology.

Through our participation in the Baby Bonus Scheme, we provide easy and alternative means of payment for parents.

Child Development

The Child Development Centre at Novena Medical Centre focuses on providing a range of assessments and therapeutic interventions for infants, children and adolescents. We have a multi-disciplinary team of therapists from occupational therapy, education therapy as well as psychologists and early intervention teachers. We recognise the challenges children and their families may face on a daily basis and are dedicated towards understanding their needs and enabling happier families.

Obstetrics & Gynaecology

SBCC Women's Clinics offer a comprehensive range of services including general gynaecology services, general obstetrics care, well-women screening packages, antenatal/pregnancy packages and pre-marital screening packages. Our clinics are located in the high density residential estates of Clementi and Ang Mo Kio.

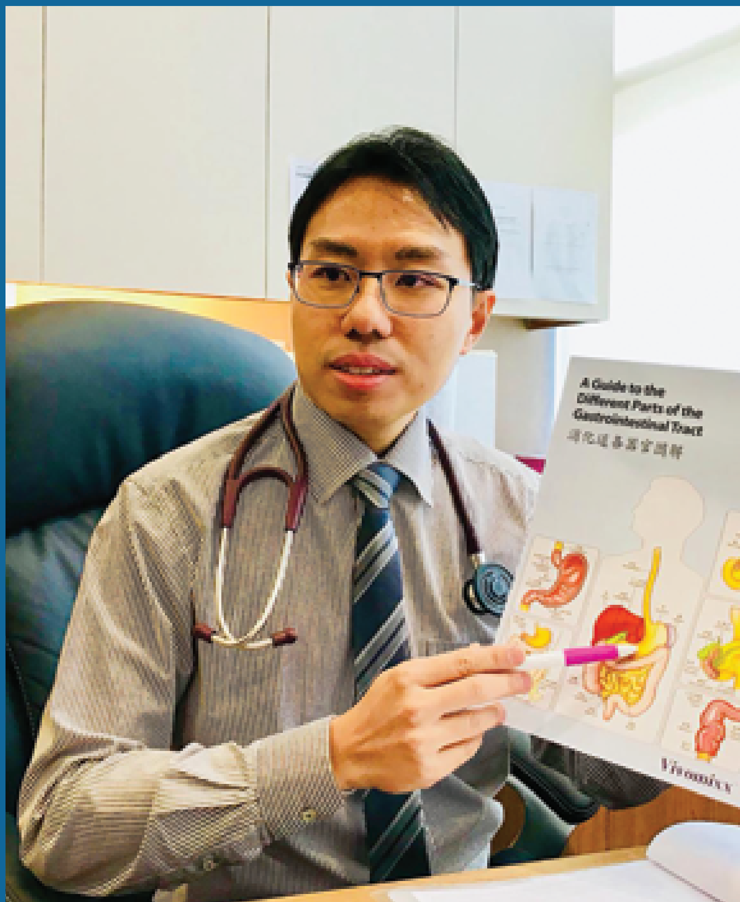
Orthopaedics

Island Orthopaedic Consultants is a leading orthopaedic chain under our Group, with a team of senior orthopaedic surgeons specialised in orthopaedic and sports medicine. Our orthopaedic clinics are located in most of the major private hospitals in Singapore.

Our specialists' combined expertise provides treatment for a wide spectrum of orthopaedic and trauma conditions, such as knee/hip replacements, sports medicine/surgery, spine surgery and minimally invasive orthopaedic procedures.

Cardiology

Nobel Heart Centre, in Mount Alvernia Hospital, provides holistic services in cardiovascular disease diagnosis, management, treatment and prevention. The Centre has a fully equipped cardiovascular laboratory and a team of highly trained staff to perform elective and emergency angiogram, angioplasty and stent implantation.



Otorhinolaryngology (Ear, Nose & Throat)

The Nobel Centre facility at Mount Alvernia Medical Centre manages and treats a full spectrum of common ear, nose & throat, and head & neck conditions faced by patients of all ages, including complex head and neck surgeries. It is also fully equipped to conduct sleep studies and allergy testing.

Ophthalmology (Eye)

The Nobel Eye and Vision Centre in Mount Alvernia Medical Centre provides high quality specialist eye examinations with stringent processes, ensuring a high level of safety and delivering accurate results. Our centre also actively educates patients on preventive eye care.

General Surgery

Nobel Surgery Centre, conveniently situated at Mount Alvernia Medical Centre and Mount Elizabeth Novena Specialist Centre, provides accessible and affordable general surgery services, including gastrointestinal, laparoscopic and colorectal surgery. The Centre also implements various programmes to support the prevention of colon cancer, which is the most common cancer in Singapore.

Gastroenterology

Nobel Gastroenterology Centre located at Mount Elizabeth Novena Specialist Centre, offers diagnostic and therapeutic services to diagnose and treat a wide range of conditions of the oesophagus, stomach, intestines, bowels, liver, pancreas and biliary system. We aim to deliver quality and affordable care to our patients. Our comprehensive consultations and targeted treatments are highly personalised and tailored to the specific needs of the individual. We screen, diagnose and treat all digestive, liver and bowel problems.

Psychological Wellness & Psychiatry

Our psychological wellness clinic is located in The Centrepoint while our Nobel psychiatry clinics are located at Novena Medical Centre and in Ang Mo Kio, a major housing estate. The Nobel psychiatry clinics are distinctively designed with our patients in mind, providing a conducive environment for mental well-being. We also provide staff welfare packages to our corporate clients, as well as programmes that support various government initiatives and agencies.

Allied Health

We have a team of experienced physiotherapists and psychologists who diagnose, treat and rehabilitate people of all ages and specialties. Together with our technical and support staff, these professionals provide holistic treatment and rehabilitation services to help restore and maintain optimal physical, sensory, psychological, cognitive and social functions of our patients.

MEDICAL AESTHETICS AND WELLNESS DIVISION

Our NeuGlow clinic provide medical aesthetics and wellness treatments, tailored to the client's individual needs. With a dedicated team of doctors and therapists, we are committed to delivering the best results for our clients with hassle-free and quality service.

CHAIRMAN'S STATEMENT

"For the financial year ended 31 December 2017, revenue was up by 8.4% to S$104.8 million, an increase of S$8.1 million."

Dear Shareholders,

The financial year ended 31 December 2017 ("FY2017") has been a year of recovery and transition for Healthway Medical Corporation Limited ("HMC" or "Company"). Emerging from the challenging financial situation in FY2016 and first half of FY2017, with fresh capital and new investors, the Company has regained financial stability and began the process of rebuilding under the leadership of new Board and Management. While a full recovery is expected to take time, the new Board and Management have set out to review operations and are making changes to guide the Company towards realising its full potential.

Financial Performance

For the financial year ended 31 December 2017, revenue was up by 8.4% to S$104.8 million, an increase of S$8.1 million. The increase was mainly due to the increase in revenue of S$7.1 million from the Specialist and Wellness Healthcare segments and S$1.0 million from the Primary Healthcare segment. Revenue from clinics owned by Healthway Medical Enterprises Pte Ltd ("HME"), which was acquired during the second quarter of FY2017, also contributed to the higher revenue.

The total expenses for FY2017 reduced by S$1.8 million or 1.3% to S$140.7 million compared to the last financial year. The decrease was mainly attributable to a lower allowance for doubtful loan, trade and other receivables of S$36.2 million, offset by an increase in allowance for the impairment of goodwill by S$19.0 million, higher staff costs of S$9.3 million, higher operating lease expenses of S$1.7 million as well as higher other operating expenses S$2.0 million. There was a marginal increase in the costs of medical supplies and consumables, laboratory and related expenses and depreciation of property, plant and equipment, as well as amortisation of intangible assets. The finance expenses increased by S$1.6 million during the year mainly attributable to interest costs on the convertible notes issued in FY2017. The increase in allowance for impairment of goodwill and provision for doubtful loan and other receivables, is further elaborated below.

We made an allowance for impairment of goodwill for both Primary Healthcare and Specialist and Wellness segment totaling to S$25.0 million as a result of less than satisfactory performance due to the challenging operating environment.

The Group made an allowance of S$0.9 million for doubtful loan and other receivables, related to the advances made to medical centres in China owned by an unrelated third party Wei Yi Shi Ye Co. Ltd. ("Wei Yi"). While the Management pursued options to recover these advances, efforts proved unsuccessful as at year end. The decision was therefore taken to make a full allowance for impairment of the amount due during the year.

As a result, for FY2017 the Group suffered net loss attributable to shareholders after tax of S$34.8 million, a decrease of S$9.3 million or 21.1% compared to the previous financial year. Disregarding the allowance for impairment of goodwill and allowance for doubtful trade and other receivables, the Group net loss before income tax would have been S$7.4 million and net loss attributable to shareholders would have been S$8.0 million.

Independent review

In early 2017, the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the appointment of an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to Healthway Medical Enterprises

Pte Ltd and Wei Yi Shi Ye Co. Ltd with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist. The Independent Reviewer has substantially completed their review and is working towards finalising their Independent Review report. The Company will update shareholders when there are material updates in relation to the Independent Review, including the key findings.

Changes in Board Directors and Key Management

During the year, we made changes to our Board and Management.

I joined the Board as non-executive, non-independent Chairman in August 2017. Dr Stephen Riady, executive chairman of OUE Limited and executive director of Lippo Limited, was appointed non-executive non-independent director in the same month. Mr Chen Yeow Sin was appointed to the Board as Lead Independent Director in July 2017.

In August 2017 we also appointed Dr Dominic Er Kong Kiong as our interim chief executive officer, Mr Abram Melkyzedeck Suhardiman as chief operating officer. Mr Sheth Sachin Sudhirbhai joined us as chief financial officer in June 2017.

With new Board members and key Management team members in place, we expect to begin making progress in the recovery and turnaround plan for the Group in the aftermath of the challenges faced in FY2016 and first half of FY2017.

Performance Evaluation and Optimisation

The new Board and Management is actively reviewing existing state of business and operations. The active review includes a comprehensive evaluation of the performance of various business units to identify potential areas for improvement. Going forward, the Group expects to continue its optimisation strategy, and expand or consolidate its Primary Healthcare and/or Specialist and Wellness business units, based on continual performance assessment and evaluation.

In Appreciation

On behalf of the Board of Directors, I wish to express our deepest appreciation to all our doctors and clinical professionals. They are the spearhead of our efforts to place our patients at the center of all that we do.

The Board and Management also wish to thank our shareholders for the continued support. We are grateful for your ongoing trust and resolve to work towards rebuilding shareholder value.

Building for the Future

HMC has emerged from a difficult period, and with the support of our new investors, is a stronger Company today. With a new Board and Management in place, we are actively taking steps to recover and make progress.

HMC was set up with the goal of providing quality patient care – we continue to be dedicated to this goal and aim to contribute to a healthier Asia through our innovative and patient-centric approach to healthcare.

We want to build for the future, and with your support, we will work towards becoming the trusted and leading healthcare provider in Asia.

Lee Luen-Wai, John
Non-Executive Non-Independent Chairman

BOARD OF DIRECTORS

Mr Lee Luen-Wai, John
Non-Executive Non-Independent Chairman

Mr Lee Luen-Wai, John was appointed as Non-Executive Non-Independent Chairman of the Company on 2 August 2017.

Mr Lee is the Managing Director and Chief Executive Officer of Lippo Limited, an Executive Director and the Chief Executive Officer of Lippo China Resources Limited and Hongkong Chinese Limited, as well as an Independent Non-Executive Director of New World Development Company Limited and UMP Healthcare Holdings Limited, all are public listed companies in Hong Kong. Mr Lee is a Fellow of The Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He was a partner of Pricewaterhouse (now known as PricewaterhouseCoopers) in Hong Kong and has extensive experience in corporate finance and capital markets. Mr Lee is an Honorary Fellow of the City University of Hong Kong, a Justice of Peace in Hong Kong and an awardee of the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

Mr Lee is active in public service. Over the years, he has served as a member or chairman of different government boards and committees in Hong Kong, including a member of the Hong Kong Hospital Authority and the Chairman of the Hospital Governing Committee of the Queen Elizabeth Hospital. Currently, he serves as the Chairman of the Investment Committee of the Hospital Authority Provident Fund Scheme and a member of the Public Service Commission. Mr Lee has been appointed as the Chairman of the Hospital Governing Committee of Hong Kong Children's Hospital.

Dr Stephen Riady
Non-Executive Non-Independent Director

Dr Stephen Riady was appointed as a Non-Executive Non-Independent Director of the Company on 16 August 2017. He is a deemed controlling shareholder of the Company. Details of his deemed shareholdings can be found on page 109 and 110 of the Annual Report.

Dr Riady has been an executive director of OUE Limited since 2006 and was appointed as executive chairman of OUE Limited since 2010. OUE Limited is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). He is also an executive director of Lippo Limited and has been its chairman since 1991. He was appointed a director of Lippo China Resources Limited in 1992 and on 25 March 2011, he was appointed as its chairman. He has been an executive director of Hongkong Chinese Limited since 1992 and on 25 March 2011, he was appointed as its chairman. Dr Riady is also a member of the remuneration committee and nomination committee of Lippo Limited, Lippo China Resources Limited and Hongkong Chinese Limited, which are all listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was also appointed a non-executive non-independent director of OUE Lippo Healthcare Limited (formerly known as International Healthway Corporation Limited) in July 2017, which is listed on the Catalist board of the SGX-ST.

His service to society includes such civic engagements as founding honorary advisor of the University of Hong Kong Foundation for Education Development and Research, member of the Boards of Trustees of Volunteer Service Trust and The Better Hong Kong Foundation, member of the Advisory Council of One Country, Two Systems Research Institute, fellow of the Duke of Edinburgh's Award World Fellowship and member of the Advisory Board of Sloan School of Management of the Massachusetts Institute of Technology, United States of America. He was a member of the Council and the Court of Hong Kong Baptist University.

In public service, Dr Riady was a Hong Kong Affairs Advisor from April 1995 to June 1997, appointed by the Hong Kong and Macao Office of the State Council and Xinhua News Agency, Hong Kong Branch of the People's Republic of China ("**PRC**"). In addition, he is a member of the Committee to Promote Economic Co-operation between Fujian and Hong Kong, a committee established by the Provincial Government of Fujian, PRC.

Accolades he has received include the Chevalier de L'Ordre des Arts et des Lettres awarded by the French government, and the Strategic Investment Entrepreneur of the Year in Ernst & Young's annual Entrepreneur of the Year Awards Singapore 2007. He is an Honorary Citizen of Shenzhen, PRC.

Dr Riady is a graduate of the University of Southern California, United States of America and holds a Master of Business Administration from Golden Gate University, United States of America. He was conferred an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University, United Kingdom, and is one of the first Honorary University Fellows installed by the Hong Kong Baptist University.

Mr Anand Kumar
Non-Executive Non-Independent Director

Mr Anand Kumar was appointed as a Non-Executive Non-Independent Director of the Company on 24 March 2017 and was last re-appointed on 19 July 2017. He is a representative and Partner of Gateway Partners, an investment firm focused on growth capital and special situations across markets in Southeast Asia, South Asia, the Middle East and Africa.

Mr Kumar has over 26 years of experience in Mergers & Acquisitions, Investing, Equity Capital Markets and Leveraged Finance in Southeast Asia. Prior to joining Gateway Partners in 2014, Mr Kumar held leadership positions in several leading investment banks including Standard Chartered Bank and Morgan Stanley.

Mr Kumar holds a Master of Business Administration degree from Vanderbilt University, U.S.A.

Mr Chen Yeow Sin
Lead Independent Director

Mr Chen Yeow Sin was appointed as Lead Independent Director of the Company on 21 July 2017. He is the Chairman of the Audit Committee and the Nominating Committee and a member of the Remuneration Committee.

Mr Chen is the Managing Director of One Partnership, a public accounting corporation that provides audit, tax and business advisory services, where he oversees the firm's operation, risk management and growth strategy. In addition to that, he also heads the Risk Advisory division providing internal audit and enterprise risk management services to listed Companies with operations in Singapore and Asian region. Mr Chen started his accountancy and audit training with a firm of chartered accountant in London. Upon his qualification as a chartered accountant, he worked in 2 of the Big Four accounting firms in Singapore before joining a US Fortune 500 energy and resource company as the South East Asia regional internal audit manager where he was responsible for the risks management, internal controls and conflict of interest investigation.

Mr Chen holds a Bachelor of Science (Honours) degree from University of London and is a Fellow Singapore Chartered Accountant as well as a Fellow Chartered Accountants in England and Wales.

Mr Lin Weiwen, Moses
Independent Director

Mr Lin Weiwen, Moses was appointed as an Independent Director of the Company on 1 August 2016 and was last re-appointed on 19 July 2017. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee.

He is a commercial litigation lawyer and has extensive experience dealing with corporate and commercial disputes as well as corporate insolvency and restructuring matters in various industry sectors.

Mr Lin has practised at several local and international law firms including Shook Lin & Bok LLP and Hill Dickinson LLP, and also worked in-house at a marine liability insurer, Charles Taylor Plc.

Mr Lin is currently a Director of Incisive Law LLC which is in a formal legal alliance with international law firm, Ince & Co LLP.

Mr Lin holds a Bachelor of Laws (2nd Class (Upper) Honours) from University College London (UCL) as well as a Graduate Diploma in Singapore Law from the National University of Singapore.

Mr Sonny Yuen Chee Choong
Independent Director

Mr Sonny Yuen Chee Choong was appointed as an Independent Director on 10 March 2014 and was last re-elected on 19 July 2017. He is a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Mr Yuen started his career with EuroCopter SEA in 1985. He was with Sumitomo Bakelite Singapore Pte. Ltd. since 1989 and was appointed as General Manager from 1995 to 2004. He later moved on to Libra 2002 Pte Limited where he was appointed as Director until 2006. From 2006 to 2007, Mr Yuen joined Executive Network International Pte Ltd as Senior Consultant.

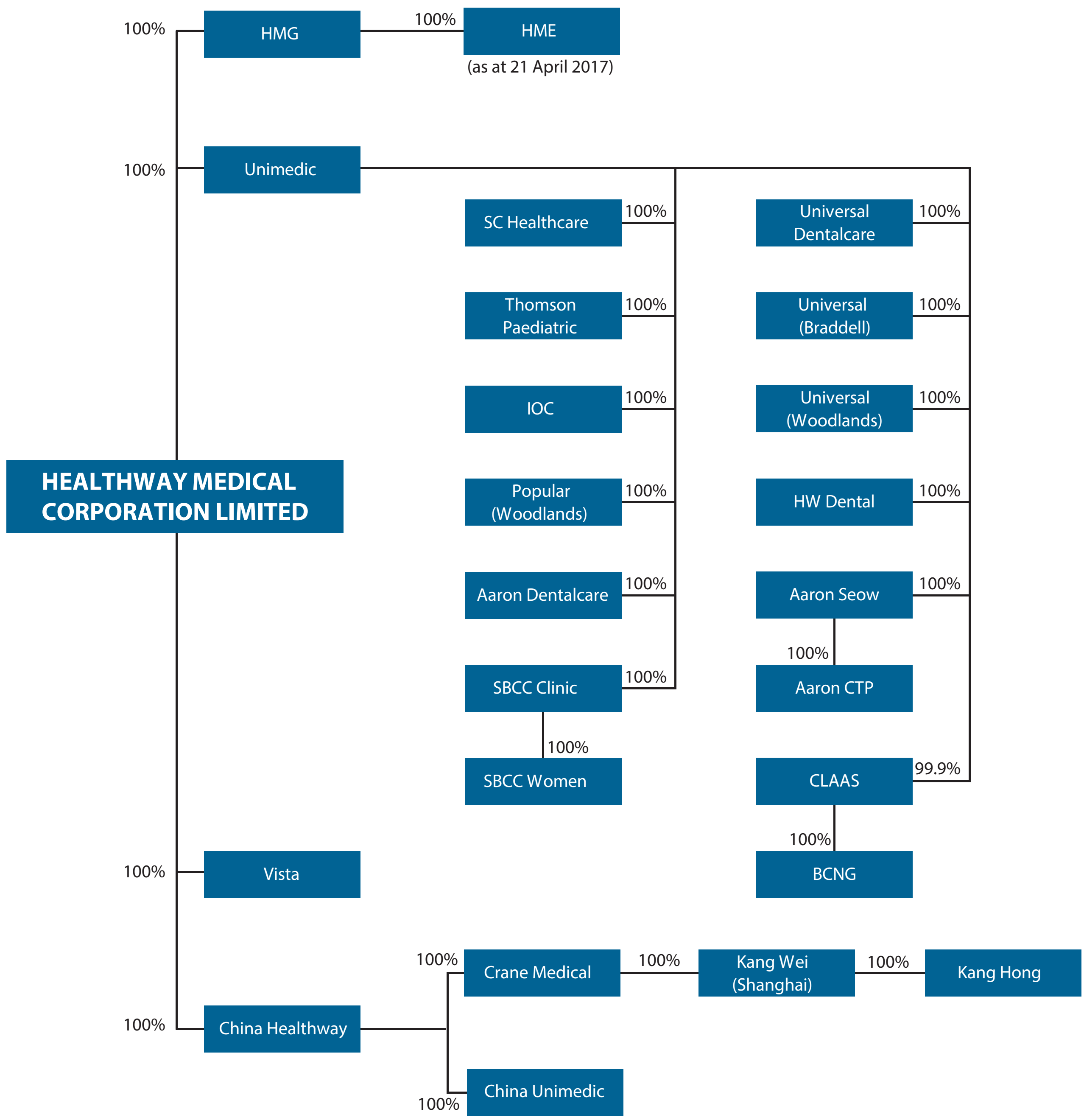
Currently, Mr Yuen is the Managing Director of JonDavidson Pte. Ltd.

Mr Yuen holds a BBA degree from National University of Singapore. He also holds a Master of Business Administration from University of Hull, United Kingdom.

He is very active in community service and currently, he is serving as the President of NUS Business School Alumni Association and is also the Founding President of Raffles Hall Association.

OUR GROUP STRUCTURE

as at 31 December 2017
(unless otherwise stated)



GROUP STRUCTURE DEFINITIONS

"Aaron CTP"	:	Aaron CTP Dental Surgery Pte. Ltd.
"Aaron Dentalcare"	:	Aaron Dentalcare Pte. Ltd.
"Aaron Seow"	:	Aaron Seow International Pte Ltd
"BCNG"	:	BCNG Holdings Pte. Ltd.
"China Healthway"	:	China Healthway Pte. Ltd.
"China Unimedic"	:	China Unimedic Pte. Ltd.
"CLAAS"	:	CLAAS Medical Centre Pte. Ltd.
"Crane Medical"	:	Crane Medical Pte. Ltd.
"HW Dental"	:	Healthway Dental Pte. Ltd.
"HME"	:	Healthway Medical Enterprises Pte Ltd
"HMG"	:	Healthway Medical Group Pte Ltd
"IOC"	:	Island Orthopaedic Consultants Pte Ltd
"Kang Wei (Shanghai)"	:	Kang Wei Investment Consultancy (Shanghai) Co., Ltd.
"Kang Hong"	:	Kang Hong (Shanghai) Medical Equipment Lease Co., Ltd.
"Popular (Woodlands)"	:	Popular Dental (Woodlands) Pte. Ltd.
"SBCC Clinic"	:	SBCC Clinic Pte Ltd
"SBCC Women"	:	SBCC Women's Clinic Pte. Ltd.
"SC Healthcare"	:	Silver Cross Healthcare Pte Ltd
"Thomson Paediatric"	:	Thomson Paediatric Clinic Pte Ltd
"Unimedic"	:	Unimedic Pte. Ltd.
"Universal Dentalcare"	:	Universal Dentalcare Pte Ltd
"Universal (Braddell)"	:	Universal Dental Group (Braddell) Pte. Ltd.
"Universal (Woodlands)"	:	Universal Dental Group (Woodlands) Pte. Ltd.
"Vista"	:	Vista Medicare Pte. Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Lee Luen-Wai, John
(Non-Executive Non-Independent Chairman)
Dr Stephen Riady
(Non-Executive Non-Independent Director)
Anand Kumar
(Non-Executive Non-Independent Director)
Chen Yeow Sin
(Lead Independent Director)
Sonny Yuen Chee Choong
(Independent Director)
Lin Weiwen, Moses
(Independent Director)

AUDIT COMMITTEE
Chen Yeow Sin *(Chairman)*
Sonny Yuen Chee Choong
Lin Weiwen, Moses

NOMINATING COMMITTEE
Chen Yeow Sin *(Chairman)*
Sonny Yuen Chee Choong
Lin Weiwen, Moses

REMUNERATION COMMITTEE
Lin Weiwen, Moses *(Chairman)*
Chen Yeow Sin
Sonny Yuen Chee Choong

COMPANY SECRETARIES
Raymond Lam Kuo Wei
Shee Shin Yee

REGISTERED OFFICE
6 Shenton Way
#10-09 OUE Downtown 2
Singapore 068809
Telephone: (65) 6323 4415
Facsimile: (65) 6235 0809
www.healthwaymedical.com

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355

SPONSOR
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

AUDITORS
PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
7 Straits View
#12-00 Marina One East Tower
Singapore 018936
Partner-in-charge: Charlotte Hsu
Effective from the Financial year ended
31 December 2017

PRINCIPAL BANKERS
DBS Bank Limited
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre Tower 1
Singapore 018981

HEALTHWAY
MEDICAL

REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the "Board" or the "Directors") of Healthway Medical Corporation Limited ("HMC" or the "Company" and together with its subsidiaries, the "Group") is committed to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the Company's shareholders (the "Shareholders").

The Company has put in place various policies and practices that will safeguard the interests of Shareholders and enhance Shareholders' value as part of its effort to maintain high standards of corporate governance. This report describes the corporate governance practices and procedures adopted by the Company with specific reference to the Code of Corporate Governance 2012 (the "Code") and the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Catalist Rules"). The Company has complied with the principles and guidelines as set out in the Code and the Catalist Rules where appropriate, except where there are deviation from the Code, appropriate explanations are provided.

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board to lead and control the Company.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. It sets goals, reviews and advises on overall strategies and directions, oversees the effectiveness of the management of the Company (the "Management") and assumes responsibilities for overall corporate governance of the Group to ensure the Group's strategies are in the best interests of the Company and its Shareholders.

Each Director acts in good faith and in the best interest of the Company. They contribute their own expertise, skills, knowledge and experiences to the Board for the benefit of the Shareholders.

Matters which specifically require the Board's decision or approval are those involving:–

– corporate strategy and business plans;

– investment and divestment proposals;

– funding decisions of the Group;

– nominations of Directors for appointment to the Board and appointment of key personnel;

– announcement of quarterly, half year and full year results, annual report and financial statements;

– material acquisitions and disposal of assets; and

– all matters of strategic importance.

The Company has adopted a guideline and policy of authority limits for operation and capital expenditures for the Group. It sets out the procedures and level of authorisation required for specific transactions.

The Board is supported by three board committees, namely the audit committee (the "AC"), the nominating committee (the "NC") and the remuneration committee (the "RC") (collectively, the "Board Committees"), all of which operate within clearly defined terms of reference and functional procedures.

To get a better understanding of the Group's business, the Company adopts a policy whereby the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with Management.

The Board conducts scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Company's Constitution (the "Constitution") provides for participation in meetings via audio or visual means. The attendance of the Directors at meetings of the Board and Board Committees, and the frequency of these meetings for the financial year ended 31 December 2017 ("FY2017") are disclosed as follows:–

	Board	AC	NC	RC
Number of meeting held	**6**	**6**	**4**	**1**
Name of Director	**Number of meetings attended**			
Ho Sun Yee(1)	2	2	4	–
Khoo Yee Hoe(2)	3	–	–	–
Wong Ong Ming, Eric(3)	3	–	4	1
Sonny Yuen Chee Choong	6	6	4	1
Lin Weiwen, Moses	6	5	–	1
Lee Luen-Wai, John(4)	3	–	–	–
Anand Kumar(5)	4	–	–	–
Chen Yeow Sin(6)	3	3	–	–
Dr Stephen Riady(7)	1	–	–	–

Notes:

(1) Mr Ho Sun Yee retired as the Independent Director of the Company with effect from 19 July 2017 and he ceased to be the chairman of the NC and a member of the AC of the Company.

(2) Mr Khoo Yee Hoe retired as Non-Executive Independent Chairman of the Company with effect from 19 July 2017.

(3) Mr Wong Ong Ming, Eric resigned as Non-Executive Non-Independent Director of the Company with effect from 20 July 2017 and he ceased to be the member of the NC and RC of the Company.

(4) Mr Lee Luen-Wai, John was appointed as Non-Executive Non-Independent Chairman of the Company with effect from 2 August 2017.

(5) Mr Anand Kumar was appointed as Non-Executive Non-Independent Director of the Company with effect from 24 March 2017.

(6) Mr Chen Yeow Sin was appointed as Independent Director of the Company with effect from 21 July 2017.

(7) Dr Stephen Riady was appointed as Non-Executive Non-Independent Director of the Company with effect from 16 August 2017.

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised with the business and organisation structure of the Group. To get a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with Management.

The Board as a whole is updated quarterly during the Board and AC meetings on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members. For first-time Directors, the Company will arrange relevant training courses for them to familiarise with the duties and responsibilities as a Director of a listed company.

In January 2018, members of the AC attended the fourth ACRA-SGX-SID Audit Committee Seminar, jointly organised by the Accounting and Corporate Regulatory Authority ("ACRA"), Singapore Exchange Regulation and the Singapore Institute of Directors ("SID").

The Company encourages Directors to attend training courses organised by the SID or other training institutions in connection with their duties as Directors. The NC makes recommendations to the Board on relevant matters relating to the review and funding of the training and professional development programmes for the Directors.

Principle 2: Board Composition and Guidance

The Board currently has six (6) Directors, comprising three (3) Independent Directors and three (3) Non-Executive Non-Independent Directors. With at least half of the Board consists of Independent Directors, there is a strong element of independence on the Board. Information regarding each Board member is provided under the Board of Directors section set out on page 11 and 12 of this report.

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that there is a strong independent element on the Board such that the Board is able to exercise objective judgment on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC is of the view that Mr Chen Yeow Sin, Mr Sonny Yuen Chee Choong and Mr Lin Weiwen, Moses are independent. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

With regard to Guideline 2.4 of the Code which requires that the independence of any director who has served on the Board beyond nine (9) years from the date of his first appointment should be subject to rigorous review, the NC is charged with the responsibility of monitoring and determining if a director remains independent in accordance with the Code. As at the date of this report, there is no independent director who has served on the Board for nine (9) years or beyond from the date of his first appointment.

Each Director has been appointed based on the strength of his calibre, experience and stature. The Board is made up of Directors with a wide range of skills, experience and qualifications, ranking from legal, accounting and finance expertise to industry knowledge, entrepreneurial and management experiences relevant to the Group's business.

The Board and Board Committees comprise Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience as follows:–

Balance and Diversity of the Board		
	Number of Directors	**Proportion of Board**
Core Competencies		
– Accounting or finance	4	67%
– Business management	6	100%
– Legal or corporate governance	6	100%
– Relevant industry knowledge or experience	5	83%
– Strategic planning experience	5	83%
– Customer based experience or knowledge	6	100%

The Board, through the NC, has examined its structure, size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board has also taken the following steps to maintain or enhance its balance and diversity:–

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-election of incumbent directors.

Principle 3: Chairman and Chief Executive Officer

Mr Lee Luen-Wai, John was appointed as a Non-Executive Non-Independent Chairman of the Company on 2 August 2017 while Dr Dominic Er Kong Kiong ("Dr Er") was appointed as the Interim Chief Executive Officer (the "Interim CEO") of the Company on 16 August 2017. Chairman and the Interim CEO are not related to each other. There is a clear division of responsibilities between the Chairman and the Interim CEO, which ensures there is a balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Chairman is responsible for ensuring the effectiveness of the Board and Board Committees as well as the governance process. He promotes an open environment for debates, ensure sufficient allocation of time for thorough discussion of board meeting agenda and provides close oversight, guidance, advice and leadership to Interim CEO and Management. Chairman, with consultation of Management, sets the agenda of the Board meetings and ensures that all Board members are provided with complete, adequate and timely information. As a rule, the Board papers are sent to the Directors in advance for Directors to be adequately prepared for the meetings. Chairman will play a pivotal role in fostering constructive dialogue between Shareholders, the Board and Management.

Dr Er is responsible for the overall management and operations of the Group. He is supported by the key executives in the day-to-day operations of the Group.

The Board has appointed Mr Chen Yeow Sin as the Lead Independent Director (the "Lead ID") with effect from 21 July 2017. He acts as the leader of the Independent Directors at Board Meetings to provide non-executive perspectives and contribute a balance of viewpoints on the Board. In addition, Shareholders with concerns may contact the Lead ID where their concerns cannot be resolved through the normal channels via Chairman or CEO, or when such contact is not possible or inappropriate. The Independent Directors, led by the Lead ID, meet or communicate periodically without the presence of the other Directors and collectively provide feedback to the Chairman as matters arising from such meetings.

During FY2017, the Independent Directors have met from time to time for informal discussions prior to the scheduled meetings in the absence of other Non-Executive Non-Independent Directors and Management. Lead ID provided feedback on issues discussed with Chairman.

Principle 4: Board Membership

The NC is established to ensure there is a formal and transparent process for the appointment and re-appointment of Directors. The NC has written terms of reference that describe the responsibilities of its members. The NC comprises Mr Chen Yeow Sin, Mr Sonny Yuen Chee Choong and Mr Lin Weiwen, Moses. The three (3) members are Independent Directors. Mr Chen is the chairman of the NC.

The principal functions of the NC are as follows:–

– reviewing and recommending to the Board;
  i. candidates for the appointment or re-appointment of members of the Board, the CEO, president and executive directors of the Company and members of the various Board Committees;

  ii. board succession plans for directors;

  iii. training and professional development programs for the Board; and

  iv. the criteria for identifying candidates and reviewing nominations for the appointments.

– proposing objective performance criteria for and undertake regular evaluation of the Board as a whole and that of the contribution and performance (e.g. attendance, preparedness, participation and candour) of each individual director to the effectiveness of the Board;

– deciding whether or not a director is able to and has been adequately carrying out his duties as a Director;

– reviewing the appointment of alternate directors;

– identifying gaps in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidate(s) to fill these gaps; and

– determining annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Guidelines 2.3 and 2.4 of the Code.

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:–

(i) at least half of directors shall be independent directors; and

(ii) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account the candidate's track record, age, experience, capabilities and other relevant factors.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he has an interest.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as a new director. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the shortlisted candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC then nominates the most suitable candidate to the Board for approval. Pursuant to his/her appointment as a Director of the Company by the Board, the candidate will be required to stand for re-election at the next Annual General Meeting ("AGM") of the Company pursuant to the Constitution.

The NC meets at least once a year. Under Regulation 98 of the Company's Constitution, one third (1/3) of the Board is to retire by rotation and subject themselves to re-election by Shareholders at every AGM. All Directors are required to retire from office at least once every three (3) years. All new Directors appointed by the Board during the financial year shall hold office only until the next AGM, but will be eligible for re-appointment at that AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for re-appointment by virtue of their skills, experience, performance and contributions to the Board.

The NC has recommended to the Board that Mr Lin Weiwen, Moses be nominated for re-election at the forthcoming AGM pursuant to Regulation 98 of the Company's Constitution. In making the recommendations, the NC had considered the Director's overall contributions and performance. Mr Lin Weiwen, Moses will, upon re-election as a Director of the Company, remain as the Chairman of the RC and a member of the AC and NC. Mr Lin Weiwen, Moses is considered independent by the Board for the purposes of Rule 704(7) of the Catalist Rules.

As the following Directors were appointed subsequent to the Company's last AGM held on 19 July 2017, they will have to vacate their office at the close of the forthcoming AGM under the Regulation 102 of the Constitution of the Company. Being eligible, they had offered themselves for re-election and the NC, having considered the Directors' overall contributions and performance recommends their re-elections at the forthcoming AGM:–

(i) Mr Lee Luen-Wai, John (Non-Executive Non-Independent Chairman)

(ii) Dr Stephen Riady (Non-Executive Non-Independent Director)

(iii) Mr Chen Yeow Sin (Lead ID)

Mr Lee Luen-Wai, John and Dr Stephen Riady will upon their re-elections remain as the Non-Executive Non-Independent Chairman and Non-Executive Non-Independent Director of the Company respectively. Mr Chen Yeow Sin will upon re-election, remain as the Lead ID of the Company, Chairman of the AC and NC and a member of the RC. Mr Chen Yeow Sin is considered independent by the Board for the purposes of Rule 704(7) of the Catalist Rules.

The Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his or her duties should not be restricted to the number of board representation. The considerations in assessing the capacity of Directors include the following:–

– Expected and/or competing time commitments of Directors;

– Geographical location of Directors;

– Size and composition of the Board; and

– Nature and scope of the Group's operations and size.

The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2017. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. The NC would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The dates of appointment, last re-election and directorships of the Directors in other listed companies and other principal commitments are set out below:–

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies		Other Principal Commitments
			Present	Past Three Years	
Lee Luen-Wai, John	2 August 2017	–	Overseas • Hongkong Chinese Limited • Lippo China Resources Limited • Lippo Limited • New World Development Company Limited • UMP Healthcare Holdings Limited	Overseas • New World China Land Limited	Overseas • Hospital Authority Provident Fund Scheme (Chairman of the Investment Committee) • Public Service Commission (Member) • Hong Kong Children's Hospital (Chairman of the Hospital Governing Committee) (w.e.f. 1 April 2018)
Dr Stephen Riady	16 August 2017	–	Singapore • OUE Limited • OUE Lippo Healthcare Limited Overseas • Hongkong Chinese Limited • Lippo China Resources Limited • Lippo Limited	Singapore • Auric Pacific Group Limited	

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies		Other Principal Commitments
			Present	Past Three Years	
Anand Kumar	24 March 2017	19 July 2017	–	–	Singapore • Gateway Management Company Pte. Ltd. • Gateway Fund Company Pte. Ltd. • GW Crown Pte. Ltd. • GW Confectionary Pte. Ltd. • GW Supernova Pte. Ltd. • GW Three Pte. Ltd. • Angsana Airport Services Pte. Ltd. • GW Redwood Pte. Ltd. • GW Iris Pte. Ltd. Overseas • Gateway Partners Limited • Gateway (Cayman) Limited • Gateway Holdings Limited • Gateway Capital Partners Limited • GW Active Limited • Angsana International Limited • ASN Investments Limited • GW Finance Limited • GW Orchid Limited • Avalon Technologies Pvt. Ltd. *Note* *All the above entities (except Avalon Technologies Pvt. Ltd.) are entities associated with Mr. Kumar's principal occupation as a Partner and Investment Committee member at Gateway Partners.*
Chen Yeow Sin	21 July 2017	–	–	Singapore Imperium Crown Limited	Singapore • One Partnership (Managing Director)
Sonny Yuen Chee Choong	10 March 2014	19 July 2017	–	–	Singapore • JonDavidson Pte. Ltd (Managing Director)
Lin Weiwen, Moses	1 August 2016	19 July 2017	–	–	Singapore • Incisive Law LLC (Director)

Further details of the Directors are provided under the Board of Directors section set out on page 11 and 12 of this report.

Principle 5: Board Performance

The NC decides on how the Board's and its Board Committees' performance and individual Directors' contributions are to be evaluated and to propose objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term Shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board Committees, and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

In evaluating the Board's and its Board Committees' performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board and Board Committee's evaluation are in respect of:–

a. Board size and composition;

b. Board information;

c. Board process and accountability;

d. Board Committee performance in relation to discharging their responsibilities set out in the respective terms of reference; and

e. Standards of conduct.

The individual Director's performance criterion is in relation to the Director's:

a. Interactive skills;

b. Knowledge including industry or professional expertise, specialist or functional contribution and regional expertise;

c. Duties including attendance at meetings, meeting preparation, participation and performance of specific assignments; and

d. Conduct including maintenance of independence, disclosure of related party transactions and compliance with company policies.

During the financial year under review, all Directors completed a board evaluation questionnaire designed to seek their view on various aspects of the Board and Board Committees' performance as described above. All Directors also completed a Directors' Peer Evaluation and Self-Assessment Questionnaire in relation to the assessment of individual Director's contribution. Chairman, in consultation with the NC, acted on the results of the performance evaluations. Where appropriate, Chairman will propose new members be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's and Board Committees' performance to-date and individual Director's contributions, and is of the view that the performance of the Board as a whole, the Board Committees and individual Directors, was satisfactory. Accordingly, the Board has met the performance evaluation criteria and objectives during the financial year under review.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at the Board meetings. The Directors are also provided with the contact details of the senior management and the Company Secretaries to facilitate separate and independent access.

The types of information and frequency of provision by Management to Non-Executive Directors are as follows:–

Types of information provided by Management to Non-Executive Directors		
	Information	**Frequency**
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly
2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly
3.	Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and external auditor's report(s)	Half-yearly
4.	Reports on on-going or planned corporate actions	Quarterly
5.	Enterprise risk framework and internal auditors' ("IA") report(s)	Annually
6.	Research report(s)	As and when available
7.	Shareholding statistics	Half-yearly

In furtherance of their duties, the Directors may seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities. The appointment of such independent professional advisers is subject to the approval of the Board.

The Company Secretaries attend all Board and Board Committees' meetings. Together with Management, the Company Secretaries are responsible for ensuring that appropriate Board procedures are followed and that the requirements of the Companies Act (Chapter 50) of Singapore (the "Act"), and the provisions in the Catalist Rules are complied with. The appointment or removal of the Company Secretaries is a matter for the Board as a whole.

The Directors are briefed either during Board and Board Committee meetings or by the Company Secretaries of these changes especially where these changes have an important bearing on the Directors' disclosure obligations.

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC has written terms of reference that describe the responsibilities of its members. The RC comprises Mr Lin Weiwen, Moses, Mr Chen Yeow Sin and Mr Sonny Yuen Chee Choong. The three (3) members are Independent Directors. Mr Moses Lin is the chairman of the RC.

The principal functions of the RC are as follows:–

– reviewing and recommending specific remuneration packages, including annual increments, variable bonus, share option grants and other incentive plans, of the executive Chairman, executive directors and key management personnel;

– recommending to the Board the policies and general framework for remuneration of the Board and key management personnel; and

– reviewing and recommending the non-executive directors and each non-executive director's fees and remuneration, of shareholders' approval at the AGM.

Each member of the RC shall abstain from voting on any recommendation and/or participating in respect of matters in which he or she has an interest.

The Non-Executive Directors do not have service agreements with the Company.

The RC adopted the guidelines set out in the Statement of Good Practice issued by the SID to determine the scale of the Directors' fees for FY2017. Except for Messrs Lee Luen-Wai, John, Stephen Riady and Anand Kumar, all Directors will receive the base fee for being a member of the Board and additional fees for being a member of the Board Committees, which will be subject to the shareholders' approval at the forthcoming AGM.

For the financial year under review, except for, the Non-Executive Non-Independent Directors of the Company namely Messrs Lee Luen-Wai, John, Stephen Riady and Anand Kumar, the ex-Non-Executive Director, Mr Wong Ong Ming, Eric and the Independent Directors of the Company will be paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of the Non-Executive Director and Independent Directors. A honorarium of S$180,000 was approved by Shareholders at the 2017 AGM. The honorarium was paid to the Non-Executive Directors (except for Mr Anand Kumar) and Independent Directors as of 4 July 2017 for the support and guidance during the restructuring of the Company. Further details of the breakdown of the remuneration of each Director are provided on page 28 of this report.

The Company does not have any executive director for the financial year under review. The review of the remuneration of the key management personnel takes into consideration the performance and the contributions of the key management personnel to the Company based on their distinct individual's job responsibilities and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully. The RC also has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

The Company adopts a remuneration policy that comprises a fixed as well as variable component. The fixed component is in the form of base salary and benefits while the variable component is in the form of performance bonus determined based on the level of achievement of corporate and individual performance objectives.

The following performance conditions were chosen for the Group to remain competitive and to motivate the executive directors (if any) and key management personnel to work in alignment with the goals of all stakeholders:–

Performance Conditions	**Short-term Incentives**	**Long-term Incentives**
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors	1. Current market and industry practices

Notwithstanding the challenging environment in FY2017, the RC is satisfied that the performance conditions were met for FY2017.

There is no termination, retirement or any post-employment benefits to Directors and key management personnel.

The Company does not have any employee share option scheme or other long-term employee incentive scheme.

The remuneration of each individual Director, Interim CEO and President to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive healthcare business environment the Company operates in. The RC has reviewed the practice of the industry and considered the pros and cons of such disclosure.

The breakdown of the remuneration (in percentage terms) of each Director, the Interim CEO and President for FY2017 is set out below:–

Name of Director/Interim CEO/President	Fee^ %	Salary %	Bonus %	Benefits* %	Total %
Below S$250,000					
Khoo Yee Hoe(1)	100	–	–	–	**100**
Ho Sun Yee(2)	100	–	–	–	**100**
Wong Ong Ming Eric(3)	100	–	–	–	**100**
Lee Luen-Wai, John(4)	–	–	–	–	**–**
Dr Stephen Riady(5)	–	–	–	–	**–**
Anand Kumar(6)	–	–	–	–	**–**
Chen Yeow Sin(7)	100	–	–	–	**100**
Sonny Yuen Chee Choong	100	–	–	–	**100**
Lin Weiwen, Moses	100	–	–	–	**100**
Dr Dominic Er(8)	–	92	–	8	**100**
Chan Wee Ping Veronica(9)	–	77	21	2	**100**

Notes:–

(1) Mr Khoo Yee Hoe retired as Non-Executive Independent Chairman of the Company on 19 July 2017.

(2) Mr Ho Sun Yee retired as Independent Director of the Company on 19 July 2017.

(3) Mr Wong Ong Ming, Eric resigned as Non-Executive Non-Independent Director of the Company on 20 July 2017.

(4) Mr Lee Luen-Wai, John was appointed as Non-Executive Non-Independent Chairman of the Company on 2 August 2017.

(5) Dr Stephen Riady was appointed as Non-Executive Non-Independent Director of the Company on 16 August 2017.

(6) Mr Anand Kumar was appointed as Non-Executive Non-Independent Director of the Company on 24 March 2017.

(7) Mr Chen Yeow Sin was appointed as Independent Director of the Company on 21 July 2017.

(8) Dr Dominic Er was appointed as Interim CEO of the Company on 16 August 2017.

(9) Ms Chan Wee Ping Veronica resigned as a President of the Company on 31 July 2017.

^ includes (i) the proposed Directors' fees of S$348,186 payable for FY2017 which will be subject to the shareholders' approval at the forthcoming AGM; and (ii) the honorarium of S$180,000 paid to the Non-Executive Directors (except for Mr Anand Kumar) and Independent Directors as of 4 July 2017 which was approved by the Shareholders at the 2017 AGM.

* Other benefits include mainly employers' contributions to the Central Provident Fund and transport allowances.

The Code defines "key management personnel" as the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company. The Company takes the view that, save for the Interim CEO, there are no persons that have the authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company only has one (1) key management personnel.

Mr Abram Melkyzedeck Suhardiman, the Chief Operating Officer of the Group, is the son-in-law of Dr Stephen Riady, the Non-Executive Non-Independent Director of the Company, and his remuneration was within the band of S$50,000 to S$100,000 in FY2017.

Save as disclosed, there are no employees who are immediate family members of a director or CEO and whose remuneration exceeds S$50,000 during the year.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the executive director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

Principle 10: Accountability

Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a quarterly basis.

The announcements for the quarterly, half-year and full-year financial results are released via the SGXNET. Financial information and other price sensitive information are circulated in a timely manner to the Shareholders through SGXNET, news release, the Company website, media and analysts' briefings. The Company's corporate information as well as the annual report are accessible on the Company's website.

In line with the Listing Rule 705(5) of the Catalist Rules, the Board provides a negative assurance statement to the Shareholders in its interim quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

In addition, the Company had, pursuant to the Rule 720(1) of the Catalist Rules, received undertakings from all its directors and executive officers that they each shall, in the exercise of their powers and duties as directors and officers comply with the best of their abilities with the provisions of the SGX-ST's listing rules, the Securities and Futures Act, the Code on Takeovers & Merger and the Act and will also procure the Company to do so.

The Board ensures that all the relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliances with the regulatory and relevant government authorities.

Principle 11: Risk Management and Internal Controls

The Board believes that the system of internal controls maintained by Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices and the identification and management of business risks.

The Group has commenced the process to put in place an enterprise risk management framework which incorporates a risk register to capture significant business risks, optimise resources and strategies and internal controls to mitigate the Group's risks. The risk register will be reviewed by the AC half-yearly.

Assurance from the Interim CEO and the Chief Financial Officer were obtained to confirm that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2017 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems were adequate and effective as at 31 December 2017 (the "Assurance").

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors in the course of their statutory audit, reviews performed by Management and various Board Committees and the Assurance received, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Company were adequate and effective as at 31 December 2017.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Company's internal controls system.

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.

Principle 12: Audit Committee

The AC, which has written terms of reference clearly setting out its authority and duties, is currently made up of three (3) Independent Directors, namely Mr Chen Yeow Sin, Mr Sonny Yuen Chee Choong and Mr Lin Weiwen, Moses. All the members are Independent Directors. Mr Chen is the chairman of the AC.

The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The principal responsibilities of AC include the following:–

– reviewing and recommending the quarterly and annual announcements as well as the related press releases on the results and financial position of the Company;

– recommending the appointment or re-appointment of the external auditors;

– reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

– reviewing the independence of the external auditors annually;

– reviewing with other committees, Management and the internal and external auditors, significant risks or exposures that exist and assess the steps Management has taken to minimise such risk to the Company;

– considering, in consultation with the external auditors, the audit scope and plan;

– reviewing and assessing the adequacy and effectiveness of the Company's system of internal control (including financial, operational, compliance and information technology controls) and management information systems through discussions with Management and the internal and external auditors;

– ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company;

– reviewing with the internal auditors, the work plan, scope and results of the internal audit procedures;

– reviewing the effectiveness of the Company's internal audit function;

– reviewing interested person transactions (if any) and potential conflict of interests (if any) falling within the scope of the Chapter 9 of the Catalist Rules; and

– reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies of the SGX-ST, and programs and reports received from regulators.

In addition, the AC is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof. The AC has full access to, and the co-operation of Management. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and report to the Board annually.

The AC meets with the external and internal auditors, without the presence of Management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge its functions properly. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings. The AC has met with the external and internal auditors, without the presence of Management during FY2017.

Certain Singapore-incorporated subsidiaries of the Company were audited by different auditors as disclosed in Note 14 to the financial statements in this report. The Board and AC have considered this and are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Company by the Company's independent auditor, PricewaterhouseCoopers LLP ("PwC") based on the adequacy of resources and experience of the other auditors. Therefore, Rule 712 and Rule 716 of the Catalist Rules have been complied with by the Company.

The aggregate amount of fees paid or payable to PwC, broken down into audit and non-audit services during FY2017 are as follows:–

Audit fees	S$481,500
Non-audit fees	S$ 4,000
Total	**S$485,500**

The AC will review the independence of the external auditors annually. The AC has considered the nature and extent of the non-audit services provided will not prejudice the independence and objectivity provided by PwC before nominating them for re-appointment.

Having reviewed PwC's independence and in the AC's opinion, PwC is suitable for re-appointment and the AC has accordingly recommended to the Board that PwC be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

During the year under review, the external auditor highlighted to the Audit Committee and the Board, significant matters that required the Audit Committee's attention arising from their audit of the financial statements. In this regard, the Audit Committee reviewed and discussed with the external auditor, the following significant matters:–

Significant matters	How the AC reviewed these matters and what decisions were made
Acquisition of Healthway Medical Enterprises Pte Ltd – Purchase price allocation	The AC reviewed the following:– (i) The approach taken in relation to the purchase price allocation exercise; (ii) The key assumptions applied in arriving at the fair value of assets acquired and liabilities assumed; and (iii) The identification of the intangible asset acquired. The purchase price allocation was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Refer to page 41 of this report.
Impairment assessment on goodwill and brand names with indefinite useful lives	The AC considered the approach and valuation methodology applied in the impairment assessment for goodwill and brand names with indefinite useful lives. It reviewed the reasonableness of the cash flow forecasts and the key assumptions used which included the revenue growth rates, discount rate and the long-term growth rate. The impairment assessment of goodwill and brand names with indefinite useful lives was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Refer to page 42 of this report.

Independent Review

In early 2017, the SGX-ST requested the appointment of an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to Healthway Medical Enterprises Pte Ltd and Wei Yi Shi Ye Co. Ltd with the objective of establishing whether there are any breaches of the Catalist Rules. The Independent Reviewer has substantially completed their review and is working towards finalising their Independent Review report. As more time is required to finalise the Independent Review report, barring unforeseen circumstances, the Company expects the Independent Review report to be finalised in the second quarter of 2018. The Company will update Shareholders as and when there are material updates in relation to the Independent Review, including the key findings.

Whistle-blowing Policy

The AC has put in place a whistle-blowing policy, whereby employees of the Group and external parties, which includes the Group's business associates, may in confidence, raise concerns about possible improper financial reporting or other matters to Mr Chen Yeow Sin, the AC Chairman. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged via email to Mr Chen Yeow Sin, the AC Chairman at whistleblow@healthwaymedical.com.

Principle 13: Internal Audit

The AC is aware of the need to establish a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has therefore appointed Messrs Yang Lee & Associates ("Yang Lee"), a professional service firm to undertake the functions of an IA. The IA's primary line of reporting is to Chairman of the AC. The AC will review the internal audit plan to ensure that the scope is adequate and covers the review of the significant business functions of the Group and all internal audit findings and recommendations are submitted to the AC for deliberation with copies of these reports extended to the relevant key management executives. The AC approves the appointment, evaluation and fees of the internal audit firm. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The IA is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the Institute of Internal Auditors.

In FY2017, the AC has reviewed with the IA their audit plan and their evaluation of the system of internal controls, their findings relating to the effectiveness of material internal controls, including financial, operational and compliance controls and Management's responses to those findings. The AC is satisfied that Yang Lee is adequately qualified (given, inter alia, its adherence to IIA Standards) and resourced and has the appropriate standing within the Group to discharge its duties effectively.

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Catalist Rules, the Company has issued additional announcements to update Shareholders on the activities of the Company and the Group in FY2017.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

All Shareholders will receive the Company's annual report and notice of AGM. At the AGM, Shareholders will be given the opportunity and time to air their views and ask the Directors or the Management questions regarding the Company.

In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the view of Shareholders and investors. The Company had on 12 April 2017, invited shareholders of the Company to a Securities Investors Association (Singapore) ("SIAS") dialogue session in relation to the proposed issuance of convertible notes.

The Chairmen of the Board, AC, RC and NC as well as the external auditors will be present and on hand to address all issues raised at the AGM. While the AGM of the Company is a principal forum for dialogue and interaction with all Shareholders, the Company will consider use of other forums such as analyst briefings as and when applicable.

The Constitution of the Company allows members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at a general meeting. In line with the amendments to the Act, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings.

Separate resolutions are proposed at general meetings for each distinct issue. All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividend will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion and other factors that the Board may deem appropriate. The Board had not declared or recommended dividend payment for FY2017 as the Company was not profitable for FY2017.

Dealing in Securities

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short term considerations or when they are in possession of unpublished price-sensitive information. The Company, its Directors and its officers are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three (3) quarters and one (1) month before the announcement of the Company's full year financial results, as the case may be, and ending on the date of the announcement of the relevant financial results.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such interested person transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The aggregate values of interested person transactions entered into by the Group during FY2017 which fall under Chapter 9 of the Catalist Rules are as follows:–

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Alkas Realty Pte Ltd[1]	S$1,869,519	Nil
OUE Lippo Healthcare Limited[2]	S$653,107	Nil

Notes:–

1 The Company had on 30 November 2017 entered into a master lease agreement ("Master Lease") with Alkas Realty Pte Ltd ("Alkas"), a wholly-owned subsidiary of OUE Limited ("OUEL") to lease units #10-09 and #10-09A of 6 Shenton Way, OUE Downtown 2, Singapore 068809 ("Premises") for a period of 36 months, commencing 1 August 2017 and expiring on 31 July 2020 ("Term"), with a rent-free period of 4 months between 1 August 2017 to 30 November 2017 ("Rent-free Period"). The total transaction value (excluding goods and services tax), which comprises the monthly rental and the service charge based on current rate, for the duration of the Term is approximately S$1,869,519. The Company was exempted under Rule 916(1) of the Catalist Rules from seeking the approval of its shareholders for the Master Lease.

As at 30 November 2017, Lippo Limited ("Lippo") is deemed to be indirectly interested in approximately 40.82% of the entire issued shares of the Company and hence is a controlling shareholder of the Company. Lippo is an intermediate holding company of Pacific Landmark Holdings Limited ("PLHL"). PLHL is the joint owner of Lippo ASM Asia Property Limited, which in turn is the immediate holding company of Fortune Code Limited ("FCL"). FCL is the holding company of Golden Concord Asia Limited ("GCAL"). GCAL has a direct interest of 12.91% and a deemed interest of 55.72% in OUEL. Alkas is a wholly-owned subsidiary of OUEL. Alkas is an entity in which Lippo and other companies taken together (directly or indirectly) have an interest of 30% or more. Accordingly, Alkas is regarded as an associate of Lippo pursuant to the Catalist Rules.

2 The Company had also on 30 November 2017 entered into a sub-lease agreement with OUE Lippo Healthcare Limited ("OUELH") (formerly known as International Healthway Corporation Limited) dated 30 November 2017 for the sublease of unit #10-09A of the Premises for a period of 36 months commencing from 1 August 2017 (the "OUELH Sublease") which comprises the Rent-free Period. The total value of the OUELH Sublease for the duration of 36 months is S$653,107.

Non-Sponsor Fees

The non-sponsor fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2017 was S$165,000.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirmed that there were no other material contracts and loans of the Company and its subsidiaries involving the interests of any Director or controlling shareholder of the Company, either still subsisting at the end of FY2017 or if not then subsisting, which were entered into since the end of the previous financial year.

Sustainability Reporting

The Company is working towards the issuance of its first sustainability report by 31 December 2018 and such report will be made available to shareholders on the SGXNET.

Use of Proceeds
Tranche 2 of Convertible Notes ("T2 CN B")

On 21 April 2017, the Company raised S$59.8 million (after deducting estimated expenses of S$0.2 million) from the issuance of T2 CN B ("T2 CN B Net Proceeds"). On 29 December 2017, the Company announced certain reallocation of the T2 CN B Net Proceeds. As at 28 March 2018, the T2 CN B Net Proceeds have been utilised as follows:–

Intended Purposes (S$ million)	Amount allocated (S$ million)	Reallocation Amount (S$ million)	Amount allocated after the Reallocation (S$ million)	Amount utilised as at 28 March 2018 (S$ million)	Amount Unutilised as at 28 March 2018 (S$ million)
Short term liquidity needs	23.8	6.0	29.8	25.27[(1)]	4.53
Organic expansion of GP clinics	2.0	–	2.0	0.53	1.47
Acquisition of specialists' clinics – hospital-based oncology and dermatology clinics	16.0	(3.0)	13.0	–	13.0
Acquisition of specialists' clinics – paediatrics	18.0	(3.0)	15.0	–	15.0
Total	**59.8**	**–**	**59.8**	**25.8**	**34.0**

Note:

(1) Mainly for the repayment of loans, payment of salaries and payments to suppliers.

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 46 to 107 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Lee Luen-Wai, John	appointed on 2 August 2017
Dr Stephen Riady	appointed on 16 August 2017
Anand Kumar	appointed on 24 March 2017
Chen Yeow Sin	appointed on 21 July 2017
Sonny Yuen Chee Choong	
Lin Weiwen, Moses	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		**Holdings in which director is deemed to have an interest**	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later	**At 31.12.2017**	At 1.1.2017 or date of appointment, if later
Healthway Medical Corporation Limited				
(Number of ordinary shares)				
Dr Stephen Riady[1]	**–**	–	**1,848,641,265**	–

1 Dr Stephen Riady (Dr Riady) holds all the shares in Lippo Capital Group Limited (LCG), which is the holding company of Lippo Capital Holdings Company Limited (LCH). LCH is the holding company of Lippo Capital Limited (Lippo Capital). Lippo Capital has a deemed interest in 1,848,641,265 shares. Accordingly, Dr Riady has a deemed interest in the shares in which Lippo Capital has an interest. Lippo Capital is an intermediate holding company of Gentle Care Pte. Ltd. (GC) and Continental Equity Inc. (CEI). GC has a direct interest in 1,594,776,083 shares. CEI has an interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its related corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its related corporations.

There were no unissued shares of the Company or its related corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Chen Yeow Sin (Chairman)
Sonny Yuen Chee Choong
Lin Weiwen, Moses

All members of the Audit Committee are independent non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act (Chapter 50).

Audit Committee (Continued)

The Audit Committee held six (6) meetings during the financial year. In performing its functions, the Audit Committee had met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee reviewed the quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption. The Audit Committee also reviewed interested person transactions (as defined in Chapter 9 of the Rules of Catalist) transacted during the financial year.

The Audit Committee has full access to and the co-operation of the management of the Company for it to discharge its functions.

The external and internal auditors had unrestricted access to the Audit Committee. The Audit Committee is satisfied with the independence and objectivity of the external auditors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chen Yeow Sin Director	Anand Kumar Director

28 March 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Healthway Medical Corporation Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Healthway Medical Corporation Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the balance sheet of the Group as at 31 December 2017;
- the balance sheet of the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Emphasis of Matter

We draw attention to Note 31 to the financial statements which states that on 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to Healthway Medical Enterprises Pte Ltd and Wei Yi Shi Ye Co. Ltd., with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist, and that as of the date of this report, the Independent Reviewer has yet to finalise their report. Our opinion is not modified in respect of this matter.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for the acquisition of Healthway Medical Enterprises Pte Ltd ("HME") As disclosed in Note 3(a) to the financial statements, on 21 April 2017, the Company, through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd, acquired the entire equity interest of HME for a total consideration of $51,525,000 which comprised deposits paid in the previous financial years of $3,540,000 and the Group's previous loans and trade and other receivables/payables due from/to HME amounting to $47,985,000 (net of allowance for impairment loss) (Note 25). Financial Reporting Standard 103 "Business Combinations" requires the identifiable assets, liabilities and contingent liabilities to be recognised at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values to be recognised as goodwill. The assets, liabilities and contingent liabilities were identified and valued through a purchase price allocation ("PPA"). A significant degree of judgement is required in the PPA, in particular in relation to the identification of the intangible assets acquired, and as such, management engaged an external professional firm to perform the PPA. In identifying the identifiable assets acquired, consideration was given to whether other potential intangible assets were acquired as part of this acquisition and it was assessed that apart from the Nobel brand, there were no other intangible assets acquired. As a result, the Nobel brand was recognised on the balance sheet of the Group at the date of the acquisition at its fair value of $5,081,000 which was determined based on the relief from royalty method. The key assumptions used in the determination of the fair value of the Nobel brand related to the royalty rate and discount rate used.	We evaluated the qualifications and competence of the external professional firm. We held discussions with management and the external professional firm to obtain an understanding of the purchase price allocation exercise. With the assistance of our internal valuation specialists, we reviewed the basis of the determination made that the Nobel brand was the only identifiable intangible asset acquired as part of the acquisition of HME and the valuation method and the key assumptions used to determine its fair value. Based on the work performed we found the identification of the intangible asset and the valuation method used to be appropriate. We also found that the judgements made to determine the royalty rate and discount rate were reasonable.

Key Audit Matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of goodwill and brand names with indefinite useful lives As disclosed in Note 3(b) to the financial statements, following management's annual impairment assessment over goodwill and brand names with indefinite useful lives, the Group recognised an impairment charge to goodwill during the financial year amounting to $25,000,000, which resulted in the carrying amount of goodwill being reduced to $109,623,000 as at 31 December 2017. The impairment charge was recognised based on the recoverable amounts of each cash generating unit ("CGU") to which goodwill and brand names with indefinite useful lives belong to, which were estimated by management based on the value-in-use ("VIU") of each CGU. We focused on management's impairment assessment of goodwill and brand names with indefinite useful lives, because the determination of the recoverable amounts requires significant judgement by management, particularly management's view of key internal inputs and external market conditions which impacts (1) the forecasted revenue growth rates which are a key assumption in the estimate of future cash flows and (2) the determination of the discount rate and long term growth rate, which are also key assumptions underlying the estimate of the recoverable amounts.	We held discussions with management to understand their assessment. We evaluated the key controls over the impairment assessment process, including the appropriateness of the key assumptions used in the valuation models. With the assistance of our internal valuation specialists, we assessed the appropriateness of the valuation methodology and reviewed the key assumptions used in the VIU calculations which related to the revenue growth rates, discount rate and long term growth rate taking into consideration external data as well as our knowledge and experience. We reviewed the VIU calculations prepared by management and reperformed the calculations to check their accuracy. We also tested management's historical estimation accuracy by comparing previous historical budgets against actual results achieved and where differences were noted, we obtained an understanding of the underlying reasons from management and challenged the revenue growth rates applied considering management's historical estimation accuracy. We reviewed the appropriateness of the disclosures made in the financial statements in relation to the impairment assessment. Based on our work performed, we found that the judgements made by management to determine the revenue growth rate, discount rate and long term growth rate were reasonable.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Charlotte Hsu.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**104,812**	96,678
Other income	5	**1,687**	2,264
Other gains/(losses) – net	6	**22**	(738)
Expenses by nature			
– Medical supplies and consumables used		**(16,209)**	(15,558)
– Laboratory and related expenses		**(3,690)**	(3,659)
– Staff costs	7	**(71,296)**	(62,042)
– Depreciation of property, plant and equipment	15	**(1,795)**	(1,553)
– Amortisation of intangible assets	16	**(4)**	(71)
– Rental on operating leases		**(10,030)**	(8,334)
– Allowance for doubtful trade and other receivables	26(b)	**(1,759)**	(37,962)
– Reversal of allowance for doubtful trade and other receivables	26(b)	**272**	176
– Impairment of goodwill	16(a)	**(25,000)**	(6,046)
– Finance expenses	8	**(2,952)**	(1,332)
– Other expenses		**(8,209)**	(6,117)
Total expenses		**(140,672)**	(142,498)
Loss before income tax		**(34,151)**	(44,294)
Income tax (expense)/credit	9(a)	**(639)**	185
Total loss		**(34,790)**	(44,109)
Other comprehensive losses:			
Item that may be reclassified subsequently to profit or loss:			
– Currency translation gains/(losses) arising from consolidation – net		**13**	(117)
Other comprehensive income/(losses), net of tax		**13**	(117)
Total comprehensive loss		**(34,777)**	(44,226)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Total loss attributable to:			
Equity holders of the Company		**(34,790)**	(44,109)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(34,777)**	(44,226)
Loss per share for loss attributable to equity holders of the Company (cents per share)			
Basic and diluted loss per share	10	**(1.09)**	(1.87)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS – GROUP AND COMPANY

As at 31 December 2017

		Group		Company	
	Note	**2017**	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and bank balances	11	**38,630**	2,780	**36,057**	1,368
Trade and other receivables	12	**16,239**	67,289	**334**	6,553
Inventories	13	**3,202**	2,270	**–**	–
Current income tax recoverable	9(b)	**–**	175	**–**	–
		58,071	72,514	**36,391**	7,921
Non-current assets					
Other receivables	12	**2,380**	1,186	**175**	–
Investments in subsidiaries	14	**–**	–	**201,923**	195,060
Property, plant and equipment	15	**8,312**	4,999	**794**	–
Intangible assets	16	**142,032**	115,787	**–**	–
		152,724	121,972	**202,892**	195,060
Total assets		**210,795**	194,486	**239,283**	202,981
LIABILITIES					
Current liabilities					
Trade and other payables	17	**20,950**	28,409	**3,229**	3,737
Current income tax liabilities	9(b)	**193**	–	**–**	145
Borrowings	18	**846**	10,698	**–**	4,282
		21,989	39,107	**3,229**	8,164
Non-current liabilities					
Borrowings	18	**499**	3,152	**–**	1,203
Deferred income tax liabilities	21	**1,297**	25	**–**	–
Provisions	20	**658**	292	**80**	–
		2,454	3,469	**80**	1,203
Total liabilities		**24,443**	42,576	**3,309**	9,367
NET ASSETS		**186,352**	151,910	**235,974**	193,614
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	22	**277,433**	208,214	**277,433**	208,214
Currency translation reserve		**731**	718	**–**	–
Accumulated losses		**(91,812)**	(57,022)	**(41,459)**	(14,600)
Total equity		**186,352**	151,910	**235,974**	193,614

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital $'000	Treasury shares $'000	Currency translation reserve $'000	Capital reserve $'000	Accumulated losses $'000	Total equity $'000
2017							
Beginning of financial year		**208,214**	**–**	**718**	**–**	**(57,022)**	**151,910**
Loss for the year		–	–	–	–	(34,790)	(34,790)
Other comprehensive income for the year		–	–	13	–	–	13
Total comprehensive loss for the year		**–**	**–**	**13**	**–**	**(34,790)**	**(34,777)**
Issue of new shares pursuant to conversion of convertible notes	22	70,000	–	–	–	–	70,000
Share issue expenses	22	(2,287)	–	–	–	–	(2,287)
Accrued interest on convertible notes converted to ordinary shares	22	1,506	–	–	–	–	1,506
End of financial year		**277,433**	**–**	**731**	**–**	**(91,812)**	**186,352**
2016							
Beginning of financial year		**204,430**	**(3,049)**	**835**	**–**	**(10,490)**	**191,726**
Loss for the year		–	–	–	–	(44,109)	(44,109)
Other comprehensive losses for the year		–	–	(117)	–	–	(117)
Total comprehensive loss for the year		**–**	**–**	**(117)**	**–**	**(44,109)**	**(44,226)**
Issue of new shares pursuant to placement	22	3,999	–	–	–	–	3,999
Share issue expenses	22	(215)	–	–	–	–	(215)
Treasury shares re-issued	22	–	3,049	–	(2,423)	–	626
Reclassification of loss on re-issuance of treasury shares		–	–	–	2,423	(2,423)	–
End of financial year		**208,214**	**–**	**718**	**–**	**(57,022)**	**151,910**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Loss before income tax		**(34,151)**	(44,294)
Adjustments for:			
– Depreciation of property, plant and equipment	15	**1,795**	1,553
– Amortisation of intangible assets	16	**4**	71
– Loss on disposal of property, plant and equipment		**179**	172
– Allowance for doubtful trade and other receivables		**1,497**	37,962
– Impairment of goodwill		**25,000**	6,046
– Interest expense	8	**2,952**	1,332
– Interest income	5	**(266)**	(14)
– Unrealised currency translation losses		**24**	738
		(2,966)	3,566
Change in working capital, net of effects from acquisition of a subsidiary:			
– Inventories		**(431)**	20
– Trade and other receivables		**(2,951)**	(2,902)
– Trade and other payables		**(8,157)**	5,012
– Provisions		**(52)**	(65)
Cash (used in)/generated from operations		**(14,557)**	5,631
Income tax refund/(paid)		**100**	(1,243)
Net cash (used in)/provided by operating activities		**(14,457)**	4,388
Cash flows from investing activities			
Additions to property, plant and equipment		**(2,369)**	(347)
Proceeds on disposal of property, plant and equipment		**–**	52
Loans to Wei Yi		**(888)**	(1,309)
Advances to HME – net		**(526)**	(467)
Acquisition of a subsidiary, net of cash acquired	25	**73**	–
Interest received		**266**	14
Net cash used in investing activities		**(3,444)**	(2,057)
Cash flows from financing activities			
Proceeds from issuance of shares		**–**	3,999
Share issue expenses		**–**	(215)
Proceeds from re-issuance of treasury shares		**–**	626
Proceeds from issuance of convertible notes		**67,713**	–
Bank deposits withdrawn/(pledged)		**1,302**	(71)
Proceeds from borrowings		**5,088**	14,160
Repayment of borrowings		**(16,186)**	(18,750)
Repayment of finance lease liabilities		**(1,418)**	(923)
Interest paid		**(1,446)**	(1,332)
Net cash provided by/(used in) financing activities		**55,053**	(2,506)
Net increase/(decrease) in cash and cash equivalents		**37,152**	(175)
Cash and cash equivalents			
Beginning of financial year	11	**871**	1,046
Effects of currency translation on cash and cash equivalents		*****	*
End of financial year	11	**38,023**	871

*Less than $1,000

The accompanying notes form an integral part of these financial statements.

Reconciliation of liabilities arising from financing activities

				Non-cash changes $'000			
	1 January 2017 $'000	Proceeds $'000	Principal and interest payments $'000	Acquisition	Equity conversion	Interest expense	31 December 2017 $'000
Convertible notes	–	67,713	–	–	(69,219)	1,506	–
Bank borrowings	11,488	5,088	(17,427)	–	–	1,241	390
Lease liabilities	2,362	–	(1,623)	11	–	205	955

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Healthway Medical Corporation Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 6 Shenton Way, #10-09, OUE Downtown 2, Singapore 068809.

The principal activities of the Company are those of an investment holding company and to carry on the business of healthcare management. The principal activities of its subsidiaries are set out in Note 14.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Provision of medical services*

Revenue from the provision of medical services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised over the period when the services are performed, typically within twelve months from the date of the transaction. Deferred revenue is recognised on the balance sheet when cash is collected upfront for services which have yet to be rendered.

(b) *Management and administrative fees*

Management and administrative fees are recognised when the services are rendered and where it is probable that the benefits will flow to the Group.

(c) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the term of the lease.

(d) *Interest income*

Interest income, including income arising from other financial instruments, is recognised using the effective interest method.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(i) *Consolidation* (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiaries (Continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.6 on borrowing costs). The projected cost of restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(b) *Depreciation*

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold improvements	2 to 10 years
Medical equipment	5 to 10 years
Computers	1 to 3 years
Furniture and fittings	5 to 10 years
Office equipment	5 to 10 years
Signboards	2 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses)".

2.5 Intangible assets

(a) *Goodwill*

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

(a) *Goodwill* (Continued)

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) *Acquired brand name*

Acquired brand name with indefinite life are initially recognised at cost and are subsequently carried at cost less accumulated impairment losses.

(c) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

(a) Goodwill and brand name

Goodwill and brand name that have indefinite useful life, recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill and brand name may be impaired.

For the purpose of impairment testing of goodwill and brand name, goodwill and brand name are allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill and brand name, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill and brand name allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries

Intangible assets (other than goodwill and brand name), property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill and brand name is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill and brand name is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents" (Note 11) and "trade and other receivables" (Note 12) on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (Continued)

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Financial guarantees

The Company has issued corporate guarantees to banks for credit facilities of certain subsidiaries and to a financial institution for finance lease liabilities of certain subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases certain plant and machinery under finance leases and commercial and office premises under operating leases from non-related parties and a related party.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(a) *When the Group is the lessee* (Continued):

(i) *Lessee – Finance leases* (Continued)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor (operating leases):*

(i) *Lessor – Operating leases*

The Group leases commercial and office premises under operating leases to non-related parties and a related party.

Leases of commercial and office premises to non-related parties and a related party where the Group has leased under operating leases (Note 2.15(a)(ii)) are classified as operating leases. Rental income from these operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories comprising pharmacy, medical and surgical supplies are measured at the lower of cost and net realisable value. The cost of inventories is determined based on the weighted average basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Allowance is made for all damaged, expired and slow moving items.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions for asset restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value of money.

Changes in the estimated timing or amount of the expenditure or discount rate for asset restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the assets or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit of loss immediately.

The provision for restoration costs relates to the estimated costs of dismantling, removing and restoring the commercial premises to its original condition at the expiration of the lease period.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(c) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company. All information presented in Singapore Dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

All foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains/(losses)".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company’s ordinary shares (“treasury shares”), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company’s equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

2.24 Dividends to Company’s shareholders

Dividends to the Company’s shareholders are recognised when the dividends are approved for payment.

2.25 Government grants

Grants from government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Purchase price allocation for the acquisition of Healthway Medical Enterprises Pte Ltd ("HME")

As announced on 6 April 2017, Gateway's subscription to the second tranche of the convertible notes (Note 22) of the Company and the resulting $60,000,000 cash injection to the Company was contingent upon the Company exercising its option to acquire HME which has a network of 24 clinics.

Following the approval of the shareholders of the Company at the Extraordinary General Meeting held on 21 April 2017, the Company, through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd, acquired the entire equity interest of HME for a total consideration of $51,525,000 which comprised deposits paid in the previous financial years of $3,540,000 and the Group's previous loans and trade and other receivables/payables due from/to HME amounting to $47,985,000 (net of the allowance for impairment loss of $18,000,000) (Note 25(a)).

Financial Reporting Standards 103 "Business Combinations" requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair values recognised as goodwill.

The assets, liabilities and contingent liabilities were identified and valued through a purchase price allocation ("PPA").

A significant degree of judgement is required in the PPA, in particular in relation to the identification of the identifiable intangible assets acquired, and as such, management engaged an external professional firm to perform the PPA.

In identifying the identifiable assets acquired, consideration was given to whether other potential intangible assets were acquired as part of this acquisition and it was assessed that apart from the Nobel brand, there were no other intangible assets acquired.

As a result, the Nobel brand was recognised on the balance sheet of the Group at the date of the acquisition at its fair value of $5,081,000 which was determined based on the relief from royalty method. The key assumptions used in the determination of the fair value of the Nobel brand related to the royalty rate and discount rate used as follows:

Royalty rate	3.5%
Discount rate (pre-tax)	11.6%

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(a) *Purchase price allocation for the acquisition of Healthway Medical Enterprises Pte Ltd ("HME")* (Continued)

A reasonable possible change to any of the individual key assumptions as compared to management's estimates would have increased or decreased the fair value of the Nobel brand recognised on the balance sheet as follows:

Key assumptions	**Change applied to management's estimate (increase/(decrease))**	**Impact to fair value of Nobel brand recognised on the balance sheet at acquisition date (increase/(decrease))** **$'000**
Royalty rate	10.0%	505/(510)
Discount rate	5.0%	(300)/330

The effects of the acquisition of HME to the Group are disclosed in Note 25 to the financial statements.

(b) *Impairment assessment of goodwill and brand names with indefinite useful lives*

Goodwill and brand names with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

The recoverable amounts of each cash generating unit ("CGU") to which goodwill and brand names with indefinite useful lives belong to have been determined based on value-in-use calculations. The determination of the recoverable amounts requires significant judgement by management, particularly management's view of key internal inputs and external market conditions which impacts (1) the forecasted revenue growth rates which are a key assumption in the estimate of future cash flows and (2) the determination of the discount rate and long term growth rate which are also key assumptions underlying the estimate of the recoverable amounts. Management has also considered its past performance in developing its estimates, and specific estimates are disclosed in Note 16.

As a result of the less than satisfactory performance during the financial year due to the challenging operating environment, the Group has recognised an impairment charge during the financial year amounting to $25,000,000, which resulted in the carrying amount of goodwill being reduced to $109,623,000 as at 31 December 2017.

The key assumptions used in the value-in-use calculations that were subject to significant judgement were relating to the estimation of the discount rate, terminal growth rate and revenue growth rate as follows:

Discount rate (pre-tax)	8.6%-9.8%
Terminal growth rate	2.0%
Revenue growth rate	3.2%-6.0%

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) *Impairment assessment of goodwill and brand names with indefinite useful lives* (Continued)

A reasonable possible change to any of the individual key assumptions as compared to management's estimates as listed above would have increased or decreased the impairment charge on goodwill and the Group's loss for the financial year ended 31 December 2017 as follows:

Key assumptions	**Change applied to management's estimate (increase/(decrease))**	**Impact to impairment loss on goodwill and the Group's loss for the financial year ended 31 December 2017 (increase/(decrease)) $'000**
Discount rate	5.0%	10,100/(11,500)
Terminal growth rate	5.0%	(2,000)/2,000
Revenue growth rate	10.0%	(14,900)/14,500

(c) *Use of indefinite useful lives assumption on brand names*

Brand name arises from the acquisition of subsidiaries. In the assessment of the useful life of the brand name, Management has performed an analysis on the relevant factors including the strength and durability of the brand in the industry. Management has also considered the stability and profitability of the market sectors that are of similar risk profiles that the brand relates to. Further, Management considers that its size and market share mean that the risk of market-related factors causing a reduction in the useful life of the brand name is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit its useful life.

Based on the above mentioned factors, Management has applied its judgement in concluding that there is no foreseeable limit to the period over which the brand names are expected to generate net cash inflows for the Group and hence, brand names are not amortised. These calculations require the use of estimates (Note 16).

The useful lives of the brand names are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

4. REVENUE

	Group	
	2017	2016
	$'000	$'000
Medical services	**104,812**	96,616
Management and administrative fees charged to Wei Yi	**–**	62
	104,812	96,678

5. OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Interest income		
– Bank deposits	**247**	14
– Loan receivable	**19**	–
	266	14
Rental income	**348**	324
Rental of medical equipment	**118**	360
Government grant income		
– Wage Credit Scheme	**174**	529
– Special Employment Credit	**106**	212
Others	**675**	825
	1,687	2,264

6. OTHER GAINS/(LOSSES) – NET

	Group	
	2017	2016
	$'000	$'000
Foreign exchange gain/(loss) – net	**10**	(738)
Others	**12**	–
	22	(738)

7. STAFF COSTS

	Group	
	2017	2016
	$'000	$'000
Wages and salaries	**67,537**	58,479
Employer's contribution to defined contribution plans including Central Provident Fund	**3,759**	3,563
	71,296	62,042

8. FINANCE EXPENSES

	Group	
	2017	2016
	$'000	$'000
Interest expense		
– Bank borrowings	**1,241**	1,185
– Convertible notes	**1,506**	–
– Finance lease liabilities	**205**	147
	2,952	1,332

9. INCOME TAXES

(a) Income tax expense/(credit)

	Group	
	2017	2016
	$'000	$'000
Tax expense attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax	**–**	165
Deferred income tax (Note 21)	**–**	43
	–	208
– Under/(over) provision in prior financial years:		
Current income tax	**268**	(393)
Deferred income tax (Note 21)	**371**	–
	639	(185)

	Group	
	2017	2016
	$'000	$'000
Loss before income tax	**(34,151)**	(44,294)
Tax calculated at tax rate of 17% (2016: 17%)	**(5,806)**	(7,530)
Effects of:		
– under/(over) provision in prior years	**639**	(393)
– expenses not deductible for tax purposes	**5,117**	7,683
– statutory stepped income exemption	**(18)**	(41)
– corporate income tax rebate	**(1)**	(27)
– tax losses not recognised	**472**	–
– utilisation of previously unrecognised tax losses	**(3)**	(16)
– others	**239**	139
Tax charge/(credit)	**639**	(185)

The Corporate Income Tax ("CIT") rebate was introduced by the Minister for Finance of Singapore and is applicable to the Group and the Company from 1 January 2012 for a period of 7 years. The CIT rebate allows companies incorporated in Singapore within the Group to receive a 40% and 50% rebate on its tax payable subject to a maximum rebate of $15,000 and $25,000 for the financial years ended 31 December 2017 and 31 December 2016 respectively. In addition, as announced in the Budget 2018, the CIT rebate will be extended to year of assessment 2019 at 20% of the corporate tax payable, subject to a cap of $10,000.

9. INCOME TAXES (CONTINUED)

(b) Movement in current income tax liabilities/(assets)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(175)**	1,296	**145**	328
Income tax refund/(paid)	**100**	(1,243)	**(128)**	(338)
Tax expense	**–**	165	**–**	145
Under/(over) provision in prior financial years	**268**	(393)	**(17)**	10
End of financial year	**193**	(175)	**–**	145

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2017	2016
Net loss attributable to equity holders of the Company ($'000)	**(34,790)**	(44,109)
Weighted average number of ordinary shares outstanding for basic loss per share ('000)	**3,202,405**	2,353,082
Basic loss per share (cents per share)	**(1.09)**	(1.87)

Diluted loss per share for the financial years ended 31 December 2017 and 31 December 2016 are computed on the same basis as basic loss per share as there were no potential ordinary shares outstanding at the balance sheet date.

11. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**7,862**	861	**5,907**	65
Short-term bank deposits	**30,768**	1,919	**30,150**	1,303
	38,630	2,780	**36,057**	1,368

Please refer to Note 25 for the effects of acquisition of subsidiary on the cash flows of the Group.

11. CASH AND BANK BALANCES (CONTINUED)

The bank deposits of the Group include $607,000 pledged as security for certain banker's guarantee (2016: $1,909,000 pledged as security for certain borrowings (Note 18)).

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances (as above)	**38,630**	2,780
Less: Bank deposits pledged as security	**(607)**	(1,909)
Cash and cash equivalents per consolidated statement of cash flows	**38,023**	871

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Trade receivables	**16,029**	12,987	**–**	–
Unbilled receivables	**2,729**	3,188	**–**	–
	18,758	16,175	**–**	–
Allowance for impairment loss	**(5,621)**	(4,750)	**–**	–
Net receivables	**13,137**	11,425	**–**	–
Other receivables				
– related parties	**98**	–	**98**	–
– non-related companies	**6,357**	6,284	**4,636**	4,537
Allowance for impairment loss	**(5,001)**	(5,273)	**(4,527)**	(4,527)
	1,454	1,011	**207**	10
Amounts due from HME (Note (a))				
– Loan receivable	**–**	57,000	**–**	–
– Trade and other receivables	**–**	10,758	**–**	2,993
– Allowance for impairment loss	**–**	(18,000)	**–**	–
	–	49,758	**–**	2,993
Deposits	**1,215**	4,833	**35**	3,540
Prepayments	**433**	262	**92**	10
	16,239	67,289	**334**	6,553

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Non-current				
Amounts due from Wei Yi (Note (b))				
– Loans receivable	**37,269**	36,381	**–**	–
– Allowance for impairment loss	**(37,269)**	(36,381)	**–**	–
	–	–	**–**	–
Deposits	**2,380**	1,186	**175**	–
	2,380	1,186	**175**	–

The fair values of non-current deposits and loan receivables carried at amortised cost approximate their carrying amounts.

(a) Amounts due from HME

On 21 April 2017, the Group acquired HME and accordingly, as at 31 December 2017 HME is a wholly owned-indirect subsidiary of the Company (Note 25).

(b) Amounts due from Wei Yi Shi Ye Co. Ltd. ("Wei Yi")

The loans receivable are due from Wei Yi, a company which owns medical centres in China. The Group has provided loans for the development, setup and operations of these medical centres, as well as management and administrative services to these medical centres. The loans are denominated in Chinese Renminbi and is secured by way of corporate guarantees from Wei Yi's holding company. The loans bear interest at a rate not exceeding 10% of the People's Bank of China variable lending rate of 4.35% (2016: 4.35%) per annum, subject to mutual agreement between both parties.

In the previous financial years, at the Group's request, the owner of Wei Yi agreed and appointed Jamie Fan Wei Zhi as the sole Executive Director and legal representative of Wei Yi to provide better visibility to the Group over the utilisation of the loans that have been provided to Wei Yi. Jamie Fan Wei Zhi is the daughter of Fan Kow Hin, who was the Executive Chairman of the Company up to 16 May 2016.

During the financial year, the Group advanced an additional $888,000 to Wei Yi while management pursued options to recover the advances that had been made in the past to Wei Yi. As these efforts ultimately proved unsuccessful, management has taken a decision to make a full allowance for impairment of this amount as at 31 December 2017.

13. INVENTORIES

	Group	
	2017	2016
	$'000	$'000
Pharmacy, medical and surgical supplies	**3,202**	2,270

14. INVESTMENTS IN SUBSIDIARIES

	Company 2017 $'000	2016 $'000
Equity investments at cost	**12,343**	12,343
Amounts due from subsidiaries (non-trade)	**279,036**	247,173
Less: Allowance for impairment loss	**(89,456)**	(64,456)
	201,923	195,060

Non-trade amounts due from subsidiaries are unsecured and interest-free. The settlement of these amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investments in these subsidiaries, they are stated at cost less accumulated impairment loss.

As at 31 December, the Group had the following subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Equity holding 2017 %	2016 %
Held by the Company				
China Healthway Pte. Ltd.[4]	Investment holding	Singapore	**100**	100
Healthway Medical Group Pte Ltd[2]	Practice of general medical practitioners	Singapore	**100**	100
Unimedic Pte. Ltd.[2]	Investment holding	Singapore	**100**	100
Vista Medicare Pte. Ltd.[1]	Provision of managed healthcare	Singapore	**100**	100
Held by China Healthway Pte. Ltd.				
China Unimedic Pte. Ltd.[4]	Investment holding	Singapore	**100**	100
Crane Medical Pte. Ltd.[2]	Investment holding	Singapore	**100**	100
Held by Healthway Medical Group Pte Ltd				
Healthway Medical Enterprises Pte Ltd[6][8]	Provision of medical services dealing in pharmaceutical and medical products	Singapore	**100**	–
Held by Unimedic Pte. Ltd.				
Aaron Dentalcare Pte. Ltd.[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
Aaron Seow International Pte Ltd[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
CLAAS Medical Centre Pte. Ltd.[4]	Investment holding	Singapore	**99.9**	99.9
Island Orthopaedic Consultants Pte Ltd[1]	Provision of orthopaedic services and operation of medical clinics	Singapore	**100**	100
Healthway Dental Pte. Ltd.[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Equity holding	
			2017 %	2016 %
Popular Dental (Woodlands) Pte. Ltd.[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
Thomson Paediatric Clinic Pte Ltd[2]	Provision of paediatric services and operation of medical clinics	Singapore	**100**	100
Universal Dentalcare Pte Ltd[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
Universal Dental Group (Braddell) Pte. Ltd. [5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
Universal Dental Group (Woodlands) Pte. Ltd.[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
SBCC Clinic Pte Ltd[1]	Provision of paediatric services and operation of medical clinics	Singapore	**100**	100
Silver Cross Healthcare Pte Ltd[2]	Practice of general medical practitioners	Singapore	**100**	100
Held by SBCC Clinic Pte. Ltd.				
SBCC Women's Clinic Pte. Ltd.[4]	Provision of gynaecology services and operation of medical clinics	Singapore	**100**	100
Held by CLAAS Medical Centre Pte. Ltd.				
BCNG Holdings Pte. Ltd.[1]	Provision of services and products related to wellness and beauty	Singapore	**100**	100
Held by Aaron Seow International Pte Ltd				
Aaron CTP Dental Surgery Pte.Ltd.[5]	Practice of dental surgery and operation of dental clinics	Singapore	**100**	100
Held by Crane Medical Pte. Ltd.				
Kang Wei Investment Consultancy (Shanghai) Co., Ltd.[7]	Provision of medical services and consultancy	China	**100**	100
Held by Kang Wei Investment Consultancy (Shanghai) Co., Ltd.				
Kang Hong (Shanghai) Medical Equipment Lease Co., Ltd.[3]	Provision of medical services and consultancy	China	**100**	100

(1) Audited by Sashi Kala Devi Associates
(2) Audited by PricewaterhouseCoopers LLP, Singapore
(3) Audited by Shanghai Yongming C.P.A. Partnership
(4) Audited by Gleneagle Trust
(5) Audited by Ardent Associates LLP
(6) Audited by Reliance Audit LLP
(7) Audited by Shanghai Zhizhen United Accounting Firm
(8) Acquired during the financial year (Note 25)

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Medical equipment $'000	Computers $'000	Furniture and fittings $'000	Office equipment $'000	Signboards $'000	Total $'000
Group							
2017							
Cost							
Beginning of financial year	5,668	4,570	1,924	948	768	166	14,044
Additions	1,421	768	227	68	48	7	2,539
Disposals	(1,571)	(1,257)	(806)	(566)	(586)	(1)	(4,787)
Acquisition of HME (Note 25)	1,390	1,172	16	31	137	29	2,775
End of financial year	6,908	5,253	1,361	481	367	201	14,571
Accumulated depreciation and impairment losses							
Beginning of financial year	3,416	2,346	1,810	793	561	119	9,045
Depreciation charge	859	691	111	48	72	14	1,795
Disposals	(1,557)	(1,099)	(806)	(566)	(579)	(1)	(4,608)
Impairment	–	27	–	–	–	–	27
End of financial year	2,718	1,965	1,115	275	54	132	6,259
Net book value							
End of financial year	**4,190**	**3,288**	**246**	**206**	**313**	**69**	**8,312**
2016							
Cost							
Beginning of financial year	5,537	4,812	1,878	955	750	165	14,097
Additions	321	465	50	4	38	1	879
Disposals	(190)	(707)	(4)	(11)	(20)	–	(932)
End of financial year	5,668	4,570	1,924	948	768	166	14,044
Accumulated depreciation and impairment losses							
Beginning of financial year	2,626	2,427	1,747	761	530	109	8,200
Depreciation charge	801	584	67	42	49	10	1,553
Disposals	(11)	(665)	(4)	(10)	(18)	–	(708)
End of financial year	3,416	2,346	1,810	793	561	119	9,045
Net book value							
End of financial year	2,252	2,224	114	155	207	47	4,999

Included within additions in the consolidated financial statements are property, plant and equipment acquired under finance leases amounting to $Nil (2016: $532,000).

The carrying amounts of property, plant and equipment held under financial leases are $2,435,817 (2016: $3,172,849) at the balance sheet date.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $'000	Furniture and fittings $'000	Total $'000
Company			
2017			
Cost			
Beginning of financial year	–	–	–
Additions	818	11	829
End of financial year	818	11	829
Accumulated depreciation and impairment losses			
Beginning of financial year	–	–	–
Depreciation charge	34	1	35
End of financial year	34	1	35
Net book value			
End of financial year	**784**	**10**	**794**

16. INTANGIBLE ASSETS

	Group	
	2017 $'000	2016 $'000
Composition:		
Goodwill arising on consolidation (Note (a))	**109,623**	88,454
Brand names (Note (a))	**32,394**	27,313
Computer software licences (Note (b))	**15**	20
	142,032	115,787

16. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation and brand names

	Goodwill $'000	Brand names $'000	Total $'000
Group			
2017			
Cost			
Beginning of financial year	152,910	27,313	180,223
Acquisition of subsidiary (Note 25)	46,169	5,081	51,250
	199,079	32,394	231,473
Accumulated impairment losses			
Beginning of financial year	64,456	–	64,456
Impairment during the year	25,000	–	25,000
End of financial year	89,456	–	89,456
Net book value			
End of financial year	**109,623**	**32,394**	**142,017**
2016			
Cost			
Beginning and end of financial year	152,910	27,313	180,223
Accumulated impairment losses			
Beginning of financial year	58,410	–	58,410
Impairment during the year	6,046	–	6,046
End of financial year	64,456	–	64,456
Net book value			
End of financial year	88,454	27,313	115,767

Impairment test for cash-generating units containing goodwill and brand names with indefinite useful lives

For the purpose of impairment testing, goodwill and brand names with indefinite useful lives are allocated to the respective Singapore operating divisions ("cash-generating units" or "CGUs") which represent the lowest level within the Group at which they are monitored for internal management purposes.

16. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on acquisition and brand names (Continued)

Impairment test for cash-generating units containing goodwill and brand names with indefinite useful lives (Continued)

The aggregate carrying amount and impairment loss of goodwill and brand names with indefinite useful lives are allocated to each CGU identified according to service groups as follows:

	Goodwill				
	Cost 2017 $'000	Accumulated impairment losses 2017 $'000	Brand names 2017 $'000	Net book value 2017 $'000	Net book value 2016 $'000
Group					
Family medicine	66,638	(4,500)	8,000	70,138	49,313
Dentistry	7,191	(7,191)	–	–	–
Paediatrics	60,761	(46,911)	9,656	23,506	31,006
Orthopaedics	35,196	(18,293)	9,657	26,560	28,560
Wellness and aesthetic	4,657	(4,657)	–	–	3,096
Obstetrics & gynaecology	3,792	(1,904)	–	1,888	3,792
Nobel specialist	20,844	(6,000)	5,081	19,925	–
	199,079	**(89,456)**	**32,394**	**142,017**	**115,767**

The recoverable amount of each CGU was determined based on its value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated terminal growth rate stated below. The terminal growth rate did not exceed the long-term average growth rate for the healthcare industry in Singapore.

Key assumptions used in the value-in-use calculations:

- The anticipated annual revenue growth rate for each CGU included in the cash flow projections ranged between 3.2% to 6.0% (2016: 3.0% to 7.0%) per annum for years 2018 to 2022.
- The pre-tax discount rate for each CGU included in the cash flow projections ranged between of 8.6% to 9.8% (2016: 8.5% to 9.9%).
- The anticipated terminal growth rate for each CGU was approximately 2.0% (2016: 2.0%).

Other assumptions used in the value-in-use calculations:

- The anticipated annual cost growth rate for each CGU was approximately 3.0% (2016: 3.0%) for the years 2018 to 2022, which takes into consideration expected annual inflation rates in Singapore.

16. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on acquisition and brand names (Continued)

Impairment test for cash-generating units containing goodwill and brand names with indefinite useful lives (Continued)

These assumptions were determined based on past performance and management's expectations of market developments with reference to internal and external sources. The growth rates used took into account forecasts included in industry reports.

Based on management's assessment, an additional impairment loss of $25,000,000 has been made on the CGUs for the financial year ended 31 December 2017 (2016: $6,046,000).

Sensitivity analysis

A reasonable possible change to any of the individual key assumptions as compared to management's estimates would have increased or decreased the impairment charge on goodwill and the Group's loss for the financial year ended 31 December 2017 as follows:

Key assumptions	**Change applied to management's estimate (increase/(decrease))**	**Impact to impairment loss on goodwill and the Group's loss for the financial year ended 31 December 2017 (increase/(decrease)) $'000**
Discount rate	5.0%	10,100/(11,500)
Terminal growth rate	5.0%	(2,000)/2,000
Revenue growth rate	10.0%	(14,900)/14,500

(b) Computer software licenses

	Group		**Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cost				
Beginning and end of financial year	**1,670**	1,670	**1,448**	1,448
Accumulated amortisation				
Beginning of financial year	**1,650**	1,581	**1,448**	1,382
Amortisation for the year	**4**	71	**–**	66
Currency translation	**1**	(2)	**–**	–
End of financial year	**1,655**	1,650	**1,448**	1,448
Net book value				
End of financial year	**15**	20	**–**	–

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables to:				
– non-related parties	**6,177**	12,625	**–**	–
Other payables to:				
– non-related parties	**3,158**	3,281	**771**	928
– HME (Note 12(a))	**–**	2,299	**–**	–
– related parties	**260**	–	**240**	–
– subsidiaries	**–**	–	**628**	1,927
	3,418	5,580	**1,639**	2,855
Deferred income	**1,187**	1,717	**–**	–
Accruals for operating expenses	**10,168**	8,487	**1,590**	882
	20,950	28,409	**3,229**	3,737

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

18. BORROWINGS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Bank borrowings	**304**	9,315	**–**	4,282
Finance lease liabilities (Note 19)	**542**	1,383	**–**	–
	846	10,698	**–**	4,282
Non-current				
Bank borrowings	**86**	2,173	**–**	1,203
Finance lease liabilities (Note 19)	**413**	979	**–**	–
	499	3,152	**–**	1,203
Total borrowings	**1,345**	13,850	**–**	5,485

(a) Security granted

In the previous financial year, bank borrowings of $2,367,000 for the Group and the Company were secured over certain bank deposits (Note 11). Finance lease liabilities of the Group are effectively secured over the leased property, plant and equipment (Note 15), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of these finance lease liabilities.

18. BORROWINGS (CONTINUED)

(b) Fair value of non-current borrowings

The fair values of non-current borrowings approximate their carrying amounts and is computed based on cash flows discounted at market borrowing rates of an equivalent instrument of 5.28% (2016: 5.35%) per annum at the balance sheet date which the directors expect to be available to the Group.

(c) Undrawn borrowing facilities

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Expiring within one year	**–**	3,696	**–**	2,633
Expiring beyond one year	**–**	400	**–**	–
	–	4,096	**–**	2,633

(d) Fixed rate borrowing amounting $390,000 (2016: $6,017,000) has interest rate of 2.8% per annum (2016: 2.8% to 36.0%). In the previous financial year, the remaining floating rate borrowings of $5,471,000 had interest rates of 2.9% to 12.2% per annum.

(e) Bank borrowings and other loans comprise:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
(i) Revolving credit facilities	**–**	3,304	**–**	2,367
(ii) 5-year term loan facilities	**–**	733	**–**	–
(iii) 4-year term loan facilities	**–**	657	**–**	657
(iv) 3-year term loan facilities	**390**	3,405	**–**	2,461
(v) 2-year term loan facilities	**–**	14	**–**	–
(vi) 1-year term loan facilities	**–**	292	**–**	–
(vii) Short term loan	**–**	2,600	**–**	–
(viii) Factoring credit facilities	**–**	483	**–**	–
	390	11,488	**–**	5,485

(i) Revolving credit facilities amounting to $2,367,000 in the previous financial year had no fixed repayment schedules and were secured by time deposits of the Group and Company and the remaining revolving credit facilities are secured by joint and several guarantees from certain shareholders of the Company.

(ii) In the previous financial year, these Singapore dollar bank loans were 5-year term loan facilities.

(iii) In the previous financial year, these Singapore dollar bank loans were 4-year term loan facilities which were secured by joint and several guarantees from certain shareholders of the Company.

18. BORROWINGS (CONTINUED)

(e) Bank borrowings and other loans comprise (Continued):

(iv) These Singapore dollar bank loans are 3-year term loan facilities of which $Nil (2016: $1,333,000) are secured by joint and several guarantees from certain shareholders of the Company and $390,000 (2016: $694,000) are secured by certain employees of the Company. The outstanding loans as at 31 December 2017 will mature in 2018 and 2019.

(v) In the previous financial year, these Singapore dollar bank loans were 2-year term loan facilities of which $14,000 were secured by employees of the Company.

(vi) In the previous financial year, this Singapore dollar bank loan was a 1-year term loan facility which was unsecured.

(vii) In the previous financial year, these Singapore dollar bank loans are short term loan facilities of which $600,000 was secured by a certain shareholder of the Company.

(viii) In the previous financial year, these Singapore dollar factoring credit facilities were unsecured.

19. FINANCE LEASE LIABILITIES

The Group leases certain plant and equipment from non-related parties under finance leases.

	Group	
	2017	2016
	$'000	$'000
Minimum lease payments due		
– Not later than one year	**580**	1,470
– Between one and five years	**428**	1,021
	1,008	2,491
Less: Future finance charges	**(53)**	(129)
Present value of finance lease liabilities	**955**	2,362

The present values of finance lease liabilities are analysed as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than one year (Note 18)	**542**	1,383
Later than one year (Note 18)		
– Between one and five years	**413**	979
Total	**955**	2,362

20. PROVISIONS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Non-current				
Provision for restoration costs	**658**	292	**80**	–

Movement in provision for restoration cost is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**292**	357	**–**	–
Provision utilised	**(52)**	(150)	**–**	–
Provision made	**170**	85	**80**	–
Acquisition of HME (Note 25)	**248**	–	**–**	–
End of financial year	**658**	292	**80**	–

The fair values of non-current provisions carried at amortised cost approximate their carrying amounts.

21. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in deferred income tax assets/(liabilities) is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(25)**	18	**–**	43
Tax charged to profit or loss (Note 9(a))	**–**	(43)	**–**	(43)
Under-provision in prior financial years	**(371)**	–	**–**	–
Acquisition of HME (Note 25)	**(901)**	–	**–**	–
End of financial year	**(1,297)**	(25)	**–**	–

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $4,859,000 (2016: $2,100,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in Singapore. These tax losses have no expiry dates.

21. DEFERRED INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Brand name $'000	Total $'000
2017			
Beginning of financial year	**(198)**	**–**	**(198)**
Acquisition of HME	**–**	**(901)**	**(901)**
Charged to profit or loss:			
– Under-provision in prior financial years	**(282)**	**–**	**(282)**
End of financial year	**(480)**	**(901)**	**(1,381)**
2016			
Beginning of financial year	(209)	–	(209)
Credited to profit or loss			
– Profit for the financial year	11	–	11
End of financial year	(198)	–	(198)

Deferred income tax assets

	Employee benefits $'000
2017	
Beginning of financial year	**173**
Charged to profit or loss	
– Over-provision in prior financial years	**(89)**
End of financial year	**84**
2016	
Beginning of financial year	227
Charged to profit or loss	
– Profit for the financial year	(54)
End of financial year	173

21. DEFERRED INCOME TAXES (CONTINUED)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000
2017	
Beginning of financial year	**–**
Charged to profit or loss	
– Profit for the financial year	**(13)**
End of financial year	**(13)**
2016	
Beginning of financial year	(11)
Credited to profit or loss	
– Profit for the financial year	11
End of financial year	–

Deferred income tax assets

	Employee benefits $'000
2017	
Beginning of financial year	**–**
Credited to profit or loss	
– Profit for the financial year	**13**
End of financial year	**13**
2016	
Beginning of financial year	54
Charged to profit or loss	
– Profit for the financial year	(54)
End of financial year	–

22. SHARE CAPITAL AND TREASURY SHARES

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
Group and Company	'000	'000	$'000	$'000
2017				
Beginning of financial year	**2,460,234**	**–**	**208,214**	**–**
Shares issued pursuant to conversion of convertible notes	**2,068,558**	**–**	**70,000**	**–**
Share issue expenses	**–**	**–**	**(2,287)**	**–**
Accrued interest on convertible notes converted to ordinary shares	**–**	**–**	**1,506**	**–**
End of financial year	**4,528,792**	**–**	**277,433**	**–**
2016				
Beginning of financial year	2,308,236	18,698	204,430	(3,049)
Shares issued	133,300	–	3,999	–
Share issue expenses	–	–	(215)	–
Treasury shares re-issued	18,698	(18,698)	–	3,049
End of financial year	2,460,234	–	208,214	–

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the financial year, the Company issued two tranches of convertible notes amounting to $10,000,000 and $60,000,000 in relation to the first and second tranches respectively pursuant to the subscription agreement entered into between the Company and Gateway Partners. These convertible notes were fully converted at a conversion price of $0.03384 into 2,068,558,000 shares during the financial year.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

23. MOVEMENT IN COMPANY'S ACCUMULATED LOSSES

	Accumulated losses $'000
2017	
Beginning of financial year	**(14,600)**
Loss for the year	**(26,859)**
End of financial year	**(41,459)**
2016	
Beginning of financial year	(6,375)
Loss for the year	(5,802)
Reclassification of loss on re-issuance of treasury shares	(2,423)
End of financial year	(14,600)

24. COMMITMENTS AND CONTINGENCIES

(a) Loan commitments

Loan commitments granted to the owners of medical centres in China are denominated in Chinese Renminbi and the undrawn commitments expired in 2017. In the previous financial year, undrawn Chinese Renminbi loan commitments at the balance sheet date amounted to Singapore dollar equivalent of $91,000.

(b) Operating lease commitments – where the Group is a lessee

The Group and Company lease a number of commercial and office premises from non-related parties and a related party under non-cancellable operating lease agreements. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not later than one year	**10,378**	7,173	**701**	–
Between one and five years	**8,887**	5,172	**1,110**	–
	19,265	12,345	**1,811**	–

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Operating lease commitments – where the Group is a lessor

The Group and Company lease out a number of commercial and office premises to non-related parties and a related party under non-cancellable operating lease agreements.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as assets, are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not later than one year	**457**	188	**245**	–
Between one and five years	**568**	165	**388**	–
	1,025	353	**633**	–

(d) Contingent liabilities

The Company has issued corporate guarantees to banks and to a financial institution for credit facilities and finance lease liabilities granted to its subsidiaries, as well as performance guarantees to certain customers as below:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided:				
– on subsidiaries' loans	**–**	–	**–**	5,004
– on subsidiaries' finance lease liabilities	**–**	–	**951**	2,067
Performance guarantee	**577**	1,039	**442**	442
	577	1,039	**1,393**	7,513

25. BUSINESS COMBINATIONS

As announced on 6 April 2017, Gateway's subscription to the second tranche of the convertible notes (Note 22) of the Company and the resulting $60,000,000 cash injection to the Company was contingent upon the Company exercising its option to acquire HME which has a network of 24 clinics.

Following the approval of the shareholders of the Company at the Extraordinary General Meeting held on 21 April 2017, the Company, through its wholly-owned subsidiary, Healthway Medical Group Pte Ltd, acquired the entire equity interest of HME for a total consideration of $51,525,000 which comprised deposits paid in the previous financial years of $3,540,000 and the Group's previous loans and trade and other receivables/payables due from/to HME amounting to $47,985,000 (net of the allowance for impairment loss of $18,000,000).

25. BUSINESS COMBINATIONS (CONTINUED)

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Total consideration transferred for the business

	$'000
Deposits paid in the previous financial years	3,540
Previous loans and trade and other receivables/payables due from/to HME (net of allowance for impairment loss)	47,985
Total consideration transferred for the acquisition of HME	51,525

(b) Effects of acquisition on cash flow of the Group

	At fair value $'000
2017	
Cash and cash equivalents	73
Intangible assets (Note 16)	5,081
Trade and other receivables	2,068
Inventories	501
Property, plant and equipment (Note 15)	2,775
Total assets	10,498
Trade and other payables	(4,230)
Finance lease	(11)
Deferred income tax liabilities (Note 21)	(901)
Total liabilities	(5,142)
Total identifiable net assets acquired	5,356
Add: Goodwill on acquisition of businesses (Note 16)	46,169
Less: Total consideration transferred for the business*	(51,525)
Add: Cash and cash equivalents acquired	73
Acquisition of subsidiary net of cash acquired	73

* As the total consideration transferred for the business comprised deposits paid in the previous financial years as well as the loans and trade and other receivables/payables that were previously due from/to HME, this acquisition did not require any further cash outlay during the financial year from the Group.

25. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition-related costs

No acquisition-related costs had been incurred.

(d) Acquired receivables

The fair value of trade and other receivables is $4,367,000 which includes trade receivables with a fair value of $785,000 and other receivables with a fair value of $3,582,000. The gross contractual amount for trade receivables due is $1,151,000, of which $366,000 is expected to be uncollectible. Management is of the view that there is no material credit risk relating to the other receivables of $3,582,000.

(e) Goodwill

The goodwill of $46,169,000 arising from the acquisition is attributable to the synergies between the businesses and the anticipated economies of scale arising from combining the operations of the Group with those of HME.

(f) Revenue and profit contribution

The acquired business contributed revenue of $12,128,000 and net loss of $571,000 to the Group from the period from 21 April 2017 to 31 December 2017.

Had HME been consolidated from 1 January 2017, the consolidated revenue and consolidated loss for the year ended 31 December 2017 would have increased by approximately $5,901,000 and $85,000 respectively.

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. Detailed policies are established and carried out by management in accordance with the objectives and underlying principles approved by the Board of Directors.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore and China. The Group's monetary assets and liabilities are principally denominated in Singapore Dollar ("SGD").

The Group's exposure to currency risk principally arises from Chinese Renminbi ("RMB") denominated loans amounting to $37,269,000 (2016: $36,381,000), extended to the owners of medical entities in China by a Singapore subsidiary with SGD functional currency.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

As the RMB loans have been fully impaired as at 31 December 2016 and 31 December 2017 (Note 12), the Group and Company is not exposed to significant foreign currency risk on monetary assets and liabilities that are denominated in a currency other than the respective functional currencies.

(ii) Price risk

The Group has no exposure to any significant price risk as at 31 December 2016 and 31 December 2017.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has no material exposure to changes in interest rates.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with credit worthy counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Group		**Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided:				
– on subsidiaries' loans	**–**	–	**–**	5,004
– on subsidiaries' finance lease liabilities	**–**	–	**951**	2,067
	–	–	**951**	7,071

The trade and other receivables of the Group comprise a number of individual debtors, and the top 10 debtors of the Group represented approximately 29% of the trade and other receivables. In the previous financial year, 1 debtor represented 73% of the trade and other receivables.

The trade and other receivables of the Company comprise 2 debtors (2016: 1 debtor) that represented 67% (2016: 46%) of the trade and other receivables.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The credit risk for financial assets based on the information provided to key management is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade and other receivables:				
– Non-current	**2,380**	1,186	**175**	–
– Current	**15,806**	67,027	**242**	6,543
Cash and bank balances	**38,630**	2,780	**36,057**	1,368
	56,816	70,993	**36,474**	7,911

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. The remaining financial assets that are neither past due nor impaired are substantially due from companies with good collection track records with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Past due 0 – 30 days	**2,525**	1,582	**–**	–
Past due 31 – 120 days	**2,466**	2,088	**–**	–
Past due 121 – 365 days	**1,684**	1,669	**–**	–
	6,675	5,339	**–**	–

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not past due	**42,270**	59,654	**4,527**	4,527
Past due over 365 days	**5,621**	4,750	**–**	–
Less: Allowance for impairment	**(47,891)**	(64,404)	**(4,527)**	(4,527)
	–	–	**–**	–

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**64,404**	26,618	**4,527**	4,527
Allowance made	**1,759**	37,962	**–**	–
Written-off upon acquisition of HME	**(18,000)**	–	**–**	–
Reversal of allowance	**(272)**	(176)	**–**	–
End of financial year	**47,891**	64,404	**4,527**	4,527

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000
Group			
2017			
Non-derivative financial liabilities			
Bank loans	**414**	**324**	**90**
Finance lease liabilities	**1,008**	**580**	**428**
Trade and other payables	**19,763**	**19,763**	**–**
	21,185	**20,667**	**518**
2016			
Non-derivative financial liabilities			
Bank loans	12,124	9,799	2,325
Finance lease liabilities	2,491	1,470	1,021
Trade and other payables	26,692	26,692	–
	41,307	37,961	3,346
Company			
2017			
Non-derivative financial liabilities			
Trade and other payables	**3,229**	**3,229**	**–**
Financial guarantee contracts	**951**	**951**	**–**
	4,180	**4,180**	**–**
2016			
Non-derivative financial liabilities			
Bank loans	5,716	4,462	1,254
Trade and other payables	3,737	3,737	–
Financial guarantee contracts	2,067	2,067	–
	11,520	10,266	1,254

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. In the previous financial year, the Group and the Company was also required by the borrowers to maintain a gearing ratio of not exceeding 1.25 times.

The gearing ratio is calculated as net interest-bearing debt divided by net tangible worth. Net tangible worth is calculated as total equity less intangible assets.

The Group and Company are in compliance with all externally imposed capital requirements for the financial year ended 31 December 2017.

(e) Fair value measurements

The carrying amount less impairment provision of trade receivables and payables approximate their fair values. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		**Company**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables	**56,816**	70,993	**36,474**	7,911
Financial liabilities at amortised cost	**21,108**	40,542	**3,229**	9,222

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) The Group and Company has the following financial assets and liabilities subject to enforceable master netting arrangements or similar agreements as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)+(d)
Group	**Gross amounts of recognised financial assets $'000**	**Gross amounts of recognised financial liabilities $'000**	**Net amounts of financial assets presented in the balance sheet $'000**	**(d)(i) Financial assets/ (liabilities) $'000**	**(d)(ii) Financial collateral received $'000**	**Net amount $'000**
As at 31 December 2016						
Trade and other receivables from HME	17,034	(6,276)	10,758	–	–	10,758

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet		
	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)+(d)
Company	**Gross amounts of recognised financial assets $'000**	**Gross amounts of recognised financial liabilities $'000**	**Net amounts of financial assets presented in the balance sheet $'000**	**(d)(i) Financial assets/ (liabilities) $'000**	**(d)(ii) Financial collateral received $'000**	**Net amount $'000**
As at 31 December 2017						
Other payables – subsidiaries	**675**	**(1,188)**	**(513)**	**–**	**–**	**(513)**
As at 31 December 2016						
Other payables – subsidiaries	261	(1,188)	(927)	–	–	(927)
Trade and other receivables from HME	5,758	(2,765)	2,993	–	–	2,993

The agreement between the Group and the Company and HME in the previous financial year allowed for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party had the option to settle such amounts on a net basis in the event of default of the other party.

27. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties at terms agreed between the parties:

(a) Related party transactions

	Group	
	2017	2016
	$'000	$'000
Net repayment of loan to a wholly owned company of a former director	**–**	1,233
Management consultancy service fees paid to an independent director	**–**	132
Management advisory service fees paid to a non-executive non-independent chairman	**–**	17
Rental and other operating expenses	**104**	–
Rental deposits paid	**175**	–
Rental income	**20**	–

Balances with related parties at the balance sheet date are set out in Note 12 and Note 17.

Related parties comprise mainly companies which are controlled or significantly influenced by the deemed controlling shareholder of the Company.

(b) Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management personnel compensation comprise:

	Group	
	2017	2016
	$'000	$'000
Wages and salaries	**241**	1,111
Director's fees of the Company	**348**	320
Employer's contribution to defined contribution plans, including Central Provident Fund	**17**	67
Honorarium fees	**180**	–
	786	1,498

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("CODM") that are used to make strategic decisions, allocate resources, and assess performance. The CODM considers the business from both a geographic and business segment perspective and regularly reviews internal management reports for each of the business units.

Business segments

The Group has the following strategic business units.

- Primary Healthcare comprising family medicine, dentistry, healthcare benefit management and investment in strategic medical related business; and

- Specialist and Wellness Healthcare comprising paediatrics, orthopaedics, aesthetic medicine, obstetrics and gynaecology and Nobel specialists comprising cardiology, gastroenterology, psychiatry, ophthalmology (eye), otorhinolaryngology (ear, nose and throat) and general surgery.

Geographical segments

The Group's operations are mainly in Singapore.

Major customer

The Group does not rely on a single external customer for 10% or more of the Group's revenue.

Whilst the CODM receives separate reports for each of the Group's strategic business units, they have been aggregated into the Primary Healthcare and Specialist and Wellness Healthcare segment. Such aggregation is determined by the nature of risks associated with each business segment as they offer different products and services and require different marketing strategies.

28. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments are as follows:

	Singapore Primary Healthcare $'000	Singapore Specialist and wellness healthcare $'000	China Specialist and wellness healthcare $'000	Total $'000
2017				
Sales				
Total segment sales and sales to external parties	51,076	53,736	–	104,812
Adjusted EBITDA	(7,648)	(20,342)	(1,676)	(29,666)
Depreciation	967	822	6	1,795
Amortisation	–	–	4	4
Goodwill impairment	(4,500)	(20,500)	–	(25,000)
Segment assets	68,630	111,276	121	180,027
Segment assets include:				
– Additions to property, plant and equipment	2,723	2,572	19	5,314
– Additions to intangible assets	25,325	25,925	–	51,250
Segment liabilities	10,948	9,812	848	21,608

	Singapore Primary Healthcare $'000	Singapore Specialist and wellness healthcare $'000	China Specialist and wellness healthcare $'000	Total $'000
2016				
Sales				
Total segment sales and sales to external parties	50,028	46,588	62	96,678
Adjusted EBITDA	(21,741)	3,133	(22,744)	(41,352)
Depreciation	850	699	4	1,553
Amortisation	66	–	5	71
Goodwill impairment	(6,046)	–	–	(6,046)
Segment assets	117,573	74,747	72	192,392
Segment assets include:				
– Additions to property, plant and equipment	335	544	–	879
Segment liabilities	16,126	12,143	432	28,701

28. SEGMENT INFORMATION (CONTINUED)

The revenue reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

The CODM assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") for continuing operations. This measurement basis excludes the effects of net gain on the disposal of available-for-sale financial assets that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

(a) Reconciliations

(i) Segment profits

A reconciliation of adjusted EBITDA to profit before tax is as follows:

	Group	
	2017	2016
	$'000	$'000
Adjusted EBITDA for reportable segments	**(29,666)**	(41,352)
Depreciation	**(1,795)**	(1,553)
Amortisation	**(4)**	(71)
Interest income	**266**	14
Finance expense	**(2,952)**	(1,332)
Profit before tax	**(34,151)**	(44,294)

(ii) Segment assets

The amounts reported to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits and available-for-sale financial assets.

Segment assets are reconciled to total assets as follows:

	Group	
	2017	2016
	$'000	$'000
Segment assets for reportable segments	**180,027**	192,392
Unallocated:		
Short-term bank deposits (Note 11)	**30,768**	1,919
Current income tax recoverable (Note 9(b))	**–**	175
Total assets	**210,795**	194,486

28. SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations (Continued)

(iii) Segment liabilities

The amounts reported to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, deferred income tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2017	2016
	$'000	$'000
Segment liabilities for reportable segments	**21,608**	28,701
Unallocated:		
Current income tax liabilities (Note 9(b))	**193**	–
Deferred income tax liabilities (Note 21)	**1,297**	25
Borrowings (Note 18)	**1,345**	13,850
Total liabilities	**24,443**	42,576

(b) Geographical information

	Sales for continuing operations	
	2017	2016
	$'000	$'000
Singapore	**104,812**	96,616
China	**–**	62
	104,812	96,678

Non-current assets are all located in Singapore.

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 or later periods and which the Group has not early adopted:

(a) FRS 115 Revenue from contracts with customers
(effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services. The core principle of FRS 115 is that entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

(a) Step 1: Identify the contract(s) with a customer

(b) Step 2: Identify the performance obligations in the contract

(c) Step 3: Determine the transaction price

(d) Step 4: Allocate the transaction price to the performance obligations in the contract

(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 30). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 30.

(b) FRS 109 Financial instruments
(effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(b) FRS 109 Financial instruments
(effective for annual periods beginning on or after 1 January 2018) (Continued)

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 30). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 30.

(c) FRS 116 Leases
(effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 30). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

30. ADOPTION OF SFRS(I)s

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is equivalent to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)s") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) s on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I)s for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The anticipated impact arising from the adoption of SFRS(I)s on the Group's financial statements is set out as follows:

(a) Adoption of SFRS(I) 9

The Group plans to elect to apply the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) 9. There are no expected adjustments to the Group's balance sheet line items as a result of management's assessment.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under SFRS(I) 9:

– trade receivables and contract assets recognised under SFRS(I) 15;

– loans to related parties and other receivables at amortised cost.

The increase in the provision for impairment from the application of the expected credit loss impairment model is not expected to be material to the financial statements of the Group.

(b) Adoption of SFRS(I) 15

The Group does not expect the adoption of SFRS(I) 15 to have a significant impact on the revenue recognition to the financial statements of the Group.

31. INDEPENDENT REVIEW

On 27 February 2017 the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") requested the Company to appoint an independent reviewer ("Independent Reviewer") to look into the extensions of loans by the Group to HME and Wei Yi with the objective of establishing whether there are any breaches of the SGX-ST Listing Manual Section B: Rules of Catalist. As of the date of this report, the Independent Reviewer has yet to finalise their report.

32. AUTHORISATION OF THE FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Healthway Medical Corporation Limited on 28 March 2018.

STATISTICS OF SHAREHOLDINGS

As at 14 March 2018

Total number of issued shares excluding treasury shares and subsidiary holdings	:	4,528,792,100
Total number of treasury shares held	:	Nil
Total number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	221	4.10	7,101	0.00
100 – 1,000	325	6.03	193,118	0.01
1,001 – 10,000	1,058	19.63	6,039,938	0.13
10,001 – 1,000,000	3,670	68.11	418,944,258	9.25
1,000,001 and above	115	2.13	4,103,607,685	90.61
TOTAL	**5,389**	**100.00**	**4,528,792,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	GENTLE CARE PTE LTD	1,270,169,892	28.05
2	GW ACTIVE LIMITED	1,241,134,751	27.41
3	OCBC SECURITIES PRIVATE LIMITED	477,727,155	10.55
4	CITIBANK NOMINEES SINGAPORE PTE LTD	342,969,250	7.57
5	KGI SECURITIES (SINGAPORE) PTE. LTD.	160,175,465	3.54
6	RHB SECURITIES SINGAPORE PTE. LTD.	141,276,790	3.12
7	DBS NOMINEES (PRIVATE) LIMITED	28,006,285	0.62
8	RAFFLES NOMINEES (PTE) LIMITED	24,050,136	0.53
9	PHILLIP SECURITIES PTE LTD	24,002,093	0.53
10	UOB KAY HIAN PRIVATE LIMITED	22,861,436	0.50
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	18,403,000	0.41
12	TAN KOON	18,100,000	0.40
13	HANIF MOEZ NOMANBHOY	17,443,811	0.39
14	TEOH TEIK KEE	13,000,000	0.29
15	TAN KHEEN SENG @ JOHN	12,523,964	0.28
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	11,486,232	0.25
17	LIM OON HOCK	10,069,000	0.22
18	GOH LEONG HAI	10,000,000	0.22
19	ONG ENG LOKE	9,930,100	0.22
20	NEO TEE KHIN	9,500,000	0.21
	TOTAL	**3,862,829,360**	**85.31**

SUBSTANTIAL SHAREHOLDERS (as recorded in the Company's Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	**%(1)**	**No. of Shares**	**%(1)**
Gentle Care Pte. Ltd.	1,594,776,083	35.21	–	–
Valiant Leader Limited	–	–	1,594,776,083	35.21(2)
Tamsett Holdings Limited	–	–	1,594,776,083	35.21(3)
GW Active Limited	1,241,134,751	27.41	–	–
Gateway Fund I, L.P.	–	–	1,241,134,751	27.41(4)
Continental Equity Inc.	–	–	253,865,182	5.61(5)
Rickon Holdings Limited	–	–	1,848,641,265	40.82(6)
Lippo China Resources Limited	–	–	1,848,641,265	40.82(7)
Skyscraper Realty Limited	–	–	1,848,641,265	40.82(8)
First Tower Corporation	–	–	1,848,641,265	40.82(9)
Lippo Limited	–	–	1,848,641,265	40.82(10)
Lippo Capital Limited	–	–	1,848,641,265	40.82(11)
Lippo Capital Holdings Company Limited	–	–	1,848,641,265	40.82(12)
Lippo Capital Group Limited	–	–	1,848,641,265	40.82(13)
PT Trijaya Utama Mandiri	–	–	1,848,641,265	40.82(14)
James Tjahaja Riady	–	–	1,848,641,265	40.82(15)
Dr Stephen Riady	–	–	1,848,641,265	40.82(16)

Notes:

(1) Computed based on 4,528,792,100 shares, being the total number of issued voting shares of the Company as at 14 March 2018.

(2) Valiant Leader Limited ("**VL**") is deemed to be interested in the shares of the Company held by Gentle Care Pte. Ltd. ("**GC**") by virtue of its shareholding in GC. VL is the direct holding company of GC.

(3) Tamsett Holdings Limited ("**TH**") is deemed to be interested in the shares of the Company held by GC by virtue of its shareholding in VL. TH is a direct holding company of VL and is an indirect holding company of GC.

(4) Gateway Fund I, L.P. is deemed to be interested in the shares of the Company held by GW Active Limited by virtue of its 100% shareholding in GW Active Limited.

(5) Continental Equity Inc. ("**CEI**") is deemed to be interested in 126,951,300 shares of the Company held by OCBC Securities Pte. Ltd. (acting as nominee for CEI), and 126,913,882 shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). CEI is a wholly-owned subsidiary of Rickon Holdings Limited ("**RH**").

(6) RH is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in CEI and TH (an indirect holding company of GC and a wholly-owned subsidiary of RH) respectively. RH is the direct holding company of CEI.

(7) Lippo China Resources Limited ("**LCR**") is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in RH. LCR is a direct holding company of RH and is an indirect holding company of CEI.

(8) Skyscraper Realty Limited ("**Skyscraper**") is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in LCR. Skyscraper is a direct holding company of LCR and is an indirect holding company of CEI.

(9) First Tower Corporation ("**First Tower**") is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in Skyscraper. First Tower is a direct holding company of Skyscraper and is an indirect holding company of CEI.

(10) Lippo Limited ("**Lippo**") is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in First Tower. Lippo is a direct holding company of First Tower and is an indirect holding company of CEI.

(11) Lippo Capital Limited ("**Lippo Capital**") is deemed to be interested in the shares of the Company held by Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch and OCBC Securities Pte. Ltd. (acting as nominees for CEI) and the shares of the Company held by GC by virtue of its shareholding in Lippo. Lippo Capital is a direct holding company of Lippo and is an indirect holding company of CEI.

(12) Lippo Capital Holdings Company Limited ("**LCH**") is the holding company of Lippo Capital, which in turn is an intermediate holding company of GC and CEI. GC has a direct interest in 1,594,776,083 shares. CEI has a deemed interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

(13) Lippo Capital Group Limited ("**LCG**") is the holding company of LCH. LCH is the holding company of Lippo Capital. Accordingly, LCG has a deemed interest in the shares in which Lippo Capital has an interest. Lippo Capital is an intermediate holding company of GC and CEI. GC has a direct interest in 1,594,776,083 shares. CEI has a deemed interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

(14) PT Trijaya ("**PTT**") holds more than 20% of the shares in Lippo Capital. Accordingly, PTT has a deemed interest in the shares in which Lippo Capital has an interest. Lippo Capital is an intermediate holding company of GC and CEI. GC has a direct interest in 1,594,776,083 shares. CEI has a deemed interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

(15) Mr James Tjahaja Riady ("**Mr James Riady**") effectively holds all the shares in PTT which holds more than 20% of the shares in Lippo Capital. Accordingly, Mr James Riady has a deemed interest in the shares in which Lippo Capital has an interest. Lippo Capital is an intermediate holding company of GC and CEI. GC has a direct interest in 1,594,776,083 shares. CEI has a deemed interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

(16) Dr Stephen Riady ("**Dr Riady**") holds all the shares in LCG, which is the holding company of LCH. LCH is the holding company of Lippo Capital. Lippo Capital has a deemed interest in 1,848,641,265 shares. Accordingly, Dr Riady has a deemed interest in the shares in which Lippo Capital has an interest. Lippo Capital is an intermediate holding company of GC and CEI. GC has a direct interest in 1,594,776,083 shares. CEI has an interest in 126,951,300 shares held through OCBC Securities Pte. Ltd. (acting as nominee for CEI) and 126,913,882 shares held through Citibank Noms S'pore Pte Ltd UBS AG Singapore Branch (acting as nominee for CEI). Accordingly, Lippo Capital has an interest in the shares in which GC and CEI have an interest, amounting to a total interest in 1,848,641,265 shares.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Based on the information available to the Company as of 14 March 2018, approximately 31.77% of the total number of issued voting shares of the Company were held in the hands of the public and therefore, the Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting ("**AGM**") of Healthway Medical Corporation Limited (the "**Company**") will be held at Mandarin Orchard Singapore, 6th floor, Main Tower, 333 Orchard Road, Singapore 238867 on Friday, 27 April 2018 at 2.00 pm, for the following purposes:–

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Report of the Independent Auditor thereon. **(Resolution 1)**

2. To re-elect Mr Lin Weiwen, Moses, a Director retiring pursuant to Regulation 98 of the Company's Constitution, and being eligible, has offered himself for re-election. (see explanatory note 1) **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Regulation 102 of the Company's Constitution, and being eligible, have offered themselves for re-election:

   Mr Lee Luen-Wai, John (see explanatory note 2) **(Resolution 3)**
   Dr Stephen Riady (see explanatory note 3) **(Resolution 4)**
   Mr Chen Yeow Sin (see explanatory note 4) **(Resolution 5)**

4. To approve the payment of Directors' fees of S$348,186 for the financial year ended 31 December 2017. (2016: S$320,000) **(Resolution 6)**

5. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other business that may be properly transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if deemed fit, to pass, with or without modifications, the following Ordinary Resolution:

7. The Proposed General Share Issue Mandate (the "**Share Issue Mandate**") **(Resolution 8)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), and Rule 806 of the Listing Manual (Section B: Rules of Catalist) (the "**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the directors of the Company (the "**Directors**") to:–

   (a) (i) allot and issue shares in the capital of the Company (the "**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided always that:–

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed one hundred per cent (100%) of the total issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (the "**Shareholders**") (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of total issued Shares shall be based on total issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of passing this Resolution, after adjusting for:–

(1) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;

(2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Company's Constitution for the time being; and

(d) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." (see explanatory note 5)

BY ORDER OF THE BOARD

Raymond Lam Kuo Wei
Shee Shin Yee
Company Secretaries

12 April 2018
Singapore

Explanatory Notes:–

1. Mr Lin Weiwen, Moses will, upon re-election as Director of the Company, remain as an Independent Director of the Company and the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Company. The Board considers him independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Moses Lin does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Moses Lin can be found in the Annual Report 2017.

2. Mr Lee Luen-Wai, John will, upon re-election as Director of the Company, remain as the Non-Executive Non-Independent Chairman of the Company. Mr John Lee is a Managing Director and CEO of Lippo Limited and the CEO of Lippo China Resource Limited, which indirectly hold more than 10% voting shares of the Company. Apart from that, Mr John Lee does not have any relationships including immediate family relationships between himself and the Directors and the Company. Further information on Mr John Lee can be found in the Annual Report 2017.

3. Dr Stephen Riady will, upon re-election as Director of the Company, remain as a Non-Executive Non-Independent Director. He is a deemed controlling shareholder of the Company by virtue of his direct shareholding in Lippo Capital Group Limited which is the holding company of Lippo Capital Limited (LCL). LCL is the intermediate holding company of Gentle Care Pte Ltd and Continental Equity Inc. which hold more than 10% voting shares of the Company. Apart from that, Dr Stephen Riady does not have any relationships including immediate family relationships between himself and the Directors and the Company. Further information on Dr Stephen Riady can be found in the Annual Report 2017.

4. Mr Chen Yeow Sin will, upon re-election as Director of the Company, remain as the Lead Independent Director of the Company and the Chairman of the Audit Committee and the Nominating Committee and a member of the Remuneration Committee of the Company. The Board considers him independent for the purposes of Rule 704(7) of the Rules of Catalist. Mr Chen does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Chen can be found in the Annual Report 2017.

5. Under the Rules of Catalist, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and/or convertible securities of the issuer of up to one hundred per cent (100%) of the total issued Shares (excluding treasury shares and subsidiary holdings, if any) as at the time of passing of the resolution approving the Share Issue Mandate, of which the aggregate number of new shares and/or convertible securities to be issued other than on a *pro-rata* basis to existing shareholders must be not more than fifty per cent (50%) of the total issued Shares of the issuer (excluding treasury shares and subsidiary holdings, if any).

   The Directors are of the opinion that the Share Issue Mandate will enable the Company to respond faster to business opportunities and to have greater flexibility and scope in negotiating with third parties in potential fund raising exercises or other arrangements or transactions involving the capital of the Company.

   The ordinary resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to allot and issue shares and/or convertible securities in the capital of the Company. The aggregate number of shares and convertible securities which the Directors may allot and issue under this resolution, shall not exceed one hundred per cent (100%) of the Company's issued Shares (excluding treasury shares and subsidiary holdings, if any) of which the aggregate number of shares and/or convertible securities to be issued other than on a *pro-rata* basis to existing shareholders shall not exceed fifty per cent (50%) of the Company's issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of passing of this resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

Notes:–

1. Each of the resolutions to be put to the vote of members at the AGM (and at any adjournment thereof) will be voted by way of poll.

2. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company.

4. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6 Shenton Way, #10-09 OUE Downtown 2, Singapore 068809 not less than 48 hours before the time appointed for holding the AGM.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the above AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your or your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

HEALTHWAY MEDICAL CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200708625C)

PROXY FORM
ANNUAL GENERAL MEETING

Personal data privacy

By submitting an instrument appointing proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

I/We, ______________________ (Name), NRIC/Passport No./Co. Reg. No. ______________

Of ____ (Address)

being a *member/members of Healthway Medical Corporation Limited (the "**Company**") hereby appoint:–

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

*and/or

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing whom, the Chairman of the Annual General Meeting ("**AGM**") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at Mandarin Orchard Singapore, 6th floor, Main Tower, 333 Orchard Road, Singapore 238867 on Friday, 27 April 2018 at 2.00 pm and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion. The resolutions put to vote at the AGM shall be decided by poll.

No.	**Ordinary Resolutions Relating to:**	**Number of Votes For****	**Number of Votes Against****
1.	Adoption of Directors' Statement and Audited Financial Statements and Report of the Independent Auditor for the financial year ended 31 December 2017		
2.	Re-election of Mr Lin Weiwen, Moses as a Director of the Company		
3.	Re-election of Mr Lee Luen-Wai, John as a Director of the Company		
4.	Re-election of Dr Stephen Riady as a Director of the Company		
5.	Re-election of Mr Chen Yeow Sin as a Director of the Company		
6.	Approval of payment of Directors' fees of S$348,186 for the financial year ended 31 December 2017		
7.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Independent Auditors		
8.	Authority to issue and allot shares pursuant to the Share Issue Mandate		

* *Delete accordingly*
** *If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this _____ day of ______________ 2018

	Total Number of Shares in:
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:–

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "**relevant intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 6 Shenton Way, #10-09 OUE Downtown 2, Singapore 068809 not less than 48 hours before the time appointed for the AGM.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

HEALTHWAY MEDICAL CORPORATION LIMITED
Company Registration No. 200708625C

6 Shenton Way #10-09 OUE Downtown 2
Singapore 068809
Telephone: (65) 6323 4415
Facsimile: (65) 6235 0809
Email: investorrelations@healthwaymedical.com

www.healthwaymedical.com